C O V E R S H E E T

P W - 2 7 7

S. E. C. Registration Number

S A N

M I G U E L

C O R P O R A T I O N

(Company's Full Name)

N o. 4 0 S a n M i g u e l A v e.

M a n d a l u y o n g C i t Y

(Business Address: No. Street City/Town/Province)

Contact Person

(632) 632-3000

Company Telephone Number

SEC FORM

1 2	3 1	1 7 - A		
Month	Day	FORM TYPE	Month	Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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Remarks = pls. Use black ink for scanning purposes

SAN MIGUEL CORPORATION

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) S.S.

UNDERTAKING

The Company's Chairman is currently out of the country, and as such will not be able to sign the Company's Statement of Management's Responsibility and SEC From 17A for the year ending December 31, 2008 (SEC Form 17-A). The undersigned as Assistant Corporate Secretary of the Company, hereby undertakes to submit the Company's notarized Statement of Management's Responsibility and SEC Form 17-A with the signature of the Company's Chairman as soon as he arrives in the country and amend the Company's SEC Form 17-A accordingly.

IN WITNESS WHEREOF, I have hereunto signed these presents this 15th day of April 2009 at Mandaluyong City.

ROSABEL T. BALAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of April 2009, affiant exhibiting to me her Passport number as follows:

	Passport No.	**Date of Issue**	**Place of Issue**
Rosabel T. Balan	XX0720743	March 12, 2008	Manila

Doc. No. 187;
Page No. 39;
Book No. II;
Series of 2009.

MANUELLA S. BAUN
Commission No. 0223-09
Notary Public for Mandaluyong City
Until Dec. 31, 2010
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 45349
PTR No. 0384071; 1/5/09; Mandaluyong City
IPB NO. 763641; 11/26/08; Makati City

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2008**

2. SEC Identification Number **PW 000277** 3. BIR Tax Identification No. **041-000-060-741-V**

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

5. **Philippines** 6. [ ]
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. **No. 40 San Miguel Avenue, Mandaluyong City** **1550**
Address of principal office Postal Code

8. **(02) 632-3000**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and approximate Debt Outstanding (as of December 31, 2008)
Class "A" Common Shares	**1,921,277,855**
Class "B" Common Shares	**1,235,715,222**
	3,156,993,077
Total Debt	**P 171,149,000,000.00**

11. Are any or all of these securities listed on a Stock Exchange?

Yes [√] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange **Class "A" and Class "B" Common**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the

preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes [√] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [√] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company as of December 31, 2008 is **P 93,355,146,507.50.**

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DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are attached and incorporated by reference:

None.

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

San Miguel Corporation (SMC or the Parent Company), together with its subsidiaries (collectively referred to as the Group), is the largest publicly listed food, beverage and packaging company in Southeast Asia. The Parent Company is also authorized to invest corporate funds and/or engage in the power generation/transmission, water and other utilities, mining and infrastructure business. Established in 1890 as a single-product brewery, the Group today has over 100 facilities in the Philippines, Southeast Asia and China. In 2008, the Group accounts for about 2.03 % of the country's gross national product and 2.24% of the country's gross domestic product.

The Group's extensive product portfolio includes beer, hard liquor, and non-carbonated non-alcoholic beverages, processed and packaged food products, meat, poultry, dairy products and a number of packaging products.

The Group's flagship product, San Miguel Beer, is among the world's largest selling beers and among the top three brands in Southeast Asia.

From its original cerveza, the Group now owns a wide range of popular beverage brands and products that extends from beer to hard liquor, bottled water, powdered juice and juice drinks.

The Group's food operations includes the production and marketing of fresh, ready-to cook and processed chicken, pork and beef, milk, butter, cheese, margarine, ice cream, flour, pancake mix, snack foods, coffee, cooking oil and animal and aquatic feeds.

Through the partnerships it has forged with major international companies, the Group has gained access to the latest technologies and expertise, thereby enhancing the Group's status as a world-class organization.

The Parent Company has strategic partnerships with international companies, among them Nihon Yamamura Glass Company, Ltd., Hormel Foods International Corporation of the United States and Kirin Holdings Company Limited, one of the largest beer manufacturing company in Japan.

The Group is one of the nation's biggest private employers with more than 15,000 employees. In addition, the Group contributes to the growth of downstream industries and sustains a network of hundreds of third party suppliers.

Major developments in the Group are discussed in Management's Discussion and Analyses of Financial Conditions and Results of Operations, attached herein as **Annex "D"**, and in Note 10 of the 2008 Audited Consolidated Financial statements, attached herein as **Annex "E"**.

Beverages

San Miguel Brewery Inc. (SMB) has five breweries in the Philippines strategically located in Luzon, Visayas and Mindanao.

The international beer group operates one brewery each in Indonesia, Vietnam, Thailand, and two breweries in China.

Apart from beer, the Group also produces hard liquor through its majority-owned subsidiary, Ginebra San Miguel, Inc. (GSMI). GSMI is not only the leader in the domestic hard liquor market, but also the world's largest gin producer by volume and the fourth largest spirits company.

The Group also produces non-carbonated ready-to-drink tea and fruit juices in the Philippines, Thailand, China, Vietnam and Indonesia through its subsidiaries GSMI, SMBI and San Miguel Foods & Beverage Int'l Ltd.

Below is a list of the beverage subsidiaries:

San Miguel Brewery Inc.
San Miguel Brewing International Ltd. and subsidiaries – including:
- San Miguel Brewery Hong Kong Limited and subsidiaries including
  - San Miguel Guangdong Brewery Limited
  - Guangzhou San Miguel Brewery Co. Ltd.
- San Miguel (Baoding) Brewery Co. Ltd
- San Miguel Brewery Vietnam Ltd
- PT Delta Djakarta Tbk
- San Miguel Beer (Thailand) Ltd.

Ginebra San Miguel, Inc. and subsidiaries – including:
- Distileria Bago, Inc.
- Ginebra San Miguel International Limited (BVI)

San Miguel (Thailand) Co. Ltd.
San Miguel (Guangdong) Foods & Beverages Co. Ltd.
San Miguel (Vietnam) Co Ltd.
PT San Miguel Marketing Indonesia
PT San Miguel Indonesia Foods & Beverages
San Miguel (Malaysia) Sdn Bhd

Food

The Group's domestic food operations are comprised of San Miguel Pure Foods Company, Inc. (SMPFC) and its subsidiaries, which include San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., Magnolia Inc, San Miguel Super Coffeemix Co., Inc. and Monterey Foods Corporation.

With a business portfolio that is unparalleled in the industry, the Group offers a complete line of food products and services for both individual and food service customers. Its businesses range from feeds, flour and flour-based products, poultry, fresh and processed meats, breadfill, dairy, snacks, noodles, cooking oils and coffee. The Group carries some of the best-known brands in the Philippine food industry, among them Magnolia, Monterey, Star, Pure Foods, Dari Crème, Pure Blend and B-Meg.

The Food group's partner in its processed foods business is Hormel Foods International Corporation of the United States.

Expansion in the region came from the 75% increase in equity participation of SMPFC in P.T. San Miguel Pure Foods Indonesia (formerly P.T. Purefoods Suba Indah), a company engaged in the manufacture and trade of processed meats and related products in Indonesia. The Food Group also maintains a hogs and feed mill business in Binh Duong, Vietnam through the acquisition of San Miguel Pure Foods Investment (BVI) Limited, a joint venture between San Miguel Foods and Beverage International (BVI) Limited and Hormel Netherlands B.V. ,who owns 100% of San Miguel Pure Foods (VN) Co., Ltd.

The establishment of San Miguel Super Coffeemix Company, Inc. (SMSCCI), through partnership with Super Coffeemix Manufacturing Ltd. of Singapore, marked the entry of SMPFC in the coffee business. SMSCCI imports, packages markets and distributes coffee and coffee-related products in the Philippines.

The Food Group operates through the following subsidiaries and divisions:

San Miguel Pure Foods Company, Inc. (SMPFC) is a 99.92%-owned business of the Parent Company. It was incorporated in 1956 to engage primarily in the business of manufacturing and marketing of processed meat products. SMPFC is the Parent Company of the food business. SMPFC, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising (Smokey's) and young animal ration manufacturing and distribution. SMPFC was consolidated with SMC in April 2001.

Great Food Solutions (GFS) is the food service unit of SMPFC that caters to hotels, restaurants and institutional accounts for their meat, poultry, dairy and flour-based requirements, as well as provides food solutions/ recipes and menus. GFS also handles Smokey's franchising operations and operates San Mig Café restaurant and Outbox food-to-go stall / cart.

San Miguel Foods, Inc. (SMFI) is a 100%-owned subsidiary of SMPFC and operates the integrated Poultry and Feeds business and the San Miguel Food Shop franchising operations.

(a) *Poultry business* – engage in integrated poultry operations and sell live birds, frozen and fresh chilled birds and cut-ups. The business supplies the chicken meat requirements of Purefoods-Hormel Company, Inc. for the manufacturing of its chicken-based value-added products.

(b) *Feeds business* – manufactures and sells different types of feeds to commercial growers. Internal requirements of SMFI's Poultry Business and Montery Foods Corporation are likewise being served by the Feeds business.

(c) *San Miguel Food Shop* – engages in franchising operations, established primarily to showcase San Miguel Group's food and beverage products and to further enhance consumer awareness. There are fourteen (14) outlets operating as of December 31, 2008.

San Miguel Mills, Inc. (SMMI) is a 100%-owned subsidiary of SMPFC and engages in the manufacture and distribution of flour, premixes, related cereal-based branded products like snack foods and instant noodles.

*The Purefoods-Hormel Company, Inc (*PF-Hormel), is a 60%-40% joint venture between SMPFC and Hormel Netherlands B.V., which produces and markets fresh processed meats (hotdogs, hams, bacons, cold cuts and gourmet meat) and canned meat products (corned beef, luncheon meat, Vienna sausage, pork and beans, liver spread and meat loaf). PF-Hormel also distributes value added-pork, beef and poultry products such as chicken, cordon bleu, beef burger, budget patty, longganisa lines and ready-to-eat meat products.

Magnolia, Inc. (Magnolia), a 100%-owned business of SMPFC, manufactures and markets butter, margarine and cheese, milk and ice cream. The business also handles the sale and marketing of jellies and desserts. Third party tollers were contracted by

Magnolia to handle the production of jellies and desserts after Magnolia's subsidiary-toller, Sugarland, ceased operations in February 2008.

Monterey Foods Corporation (Monterey), a 97.68% owned subsidiary of SMPFC, is into livestock farming, processing and selling of meat products mainly pork and cattle. Fresh produce from Monterey's farms, as well as further processed or value added meat products, are sold in Monterey met shop.

PT San Miguel Purefoods Indonesia (PTSMPFI, formerly PT Purefoods Suba Indah) – a 75% owned subsidiary of SMPFC, which manufactures and distributes processed meats in Indonesia. The remaining 25% is owned by La Salle Financial Inc. of Indonesia.

San Miguel Pure Foods (Vn) Co., Ltd., wholly-owned subsidiary of San Miguel Pure Foods Investments (BVI) Ltd., a 51% - 49% joint venture between SMC (through San Miguel Foods and Beverage International BVI Limited) and Hormel Netherlands B. V. Ltd., which primarily engaged in the business of raising and trading pigs and poultry, processing of frozen meat and secondary products from livestock.

San Miguel Super Coffeemix Company, Inc. (SMSCCI), is a 70%-30% joint venture between SMPFC and Super Coffemix Manufacturing, Ltd of Singapore. It imports, packages, markets and distributes coffee and coffee-related products in the Philippines.

Below is a list of food subsidiaries:

San Miguel Foods and Beverage International Limited and subsidiaries,
including
San Miguel Pure Foods Investment (BVI) Limited including subsidiary,
San Miguel Pure Foods (Vn) Co. Ltd.
San Miguel Pure Foods Company, Inc. and subsidiaries – including:
San Miguel Foods, Inc.
San Miguel Mills, Inc.
The Purefoods-Hormel Company, Inc.
Magnolia, Inc. and subsidiary
Sugarland Corporation
San Miguel Super Coffeemix Co., Inc.
P.T. San Miguel Purefoods Indonesia Ltd.
RealSnacks Mfg. Corp.
Monterey Foods Corporation
Star Dari, Inc.

Packaging

The San Miguel Packaging Group (Packaging Group) is a total packaging solutions business servicing many of the region's leading food, pharmaceutical, chemical, beverages, and personal care manufacturers. With clients in the Asia-Pacific, Middle East, Africa and U.S. markets, the Packaging Group is involved in the production and marketing of the following packaging products, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene/Kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, crate and plastic pallet leasing, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

Apart from supplying the internal requirements of the Group, the Packaging Group also supplies major Philippine-based multinational corporations such as Nestlé, Unilever, Kraft, Diageo, Del Monte, Coca-Cola and Pepsi-Cola Products Phils., Inc.

Glass. The glass business is the largest business segment of the Packaging Group. It has three glass manufacturing facilities in the Philippines and one glass mold plant serving the requirements of the beverage, food, pharmaceutical, personal care and health care industries. The bulk of the glass bottle requirements served by this segment are for the beverage industries.

In July 1991, SMC through its San Miguel Packaging Products Division, (SMPP) embarked on a joint venture with Yamamura Glass Co., Ltd of Japan (now Nihon Yamamura Glass Co. (NYG), incorporating San Miguel Yamamura Asia Corporation (SMYAC), rated as the country's most technologically advanced glass manufacturing facility. Another strategic alliance forged by SMPP was with NYG and Fuso Machine & Molds Manufacturing Co., Ltd. of Japan, forming SMC Yamamura Fuso Molds Corporation (SMYFMC).

Metal. The metal business manufactures metal caps, crowns, resealable caps and two-piece aluminum beverage cans for a range of industries that include beer, softdrinks and food. The Packaging Group's metal container plant is the country's only aluminum beverage can plant in the Philippines and pioneered in the production of two-piece cans and ends for the beverage market.

Plastics. The plastics business provides plastic crates and pallets, plastic poultry flooring, plastic trays to domestic markets, and caters to the requirements of SMC's brewing operations in Vietnam and China.

PET. The PET business produces PET preforms and bottles, plastic caps & handles and offers filling services as well.

Paper. San Miguel Rengo Packaging Corporation (SMRPC), SMC's joint venture with Rengo Co. of Japan, supplies the packaging needs of a broad range of manufacturing and agricultural industries. Another subsidiary of SMC in the paper business is Mindanao Corrugated Fibreboard Inc. (Mincorr) based in Davao.

Composites. Through its Rightpak plant, the Packaging Group manufactures flexible packaging for the food, beverage, personal care, chemical and healthcare industries.

The Packaging Group has nine international packaging facilities located in China (glass, metal, plastic), Vietnam (glass, metal) and Malaysia (flexibles, paperboard, plastic films, woven bags, industrial laminates, and a Packaging Research Center). Aside from extending the reach of the packaging business overseas, these facilities also serve the packaging requirements of SMC breweries in China and Vietnam.

In January 2008, SMC finalized a joint venture agreement with NYG pursuant to which NYG purchased 35% of San Miguel Packaging Specialist, Inc. (SMPSI) and San Miguel Packaging International Limited (SMPIL). SMPSI owns all of the domestic plants of the Packaging Group, except the two corrugated carton plants (i.e. SMRPC and Mincorr) and of San Miguel Yamamura Asia Corp., which is already an existing joint venture between SMC and NYG. SMPIL's subsidiaries are composed of the Packaging Group's international facilities.

In connection with the joint venture of SMPSI and NYG, SMPSI changed its corporate name to "San Miguel Yamamura Packaging Corporation" as approved by the SEC on June 4, 2008. In addition, the BOD of SMPIL likewise approved the change in the corporate name of

SMPIL to "San Miguel Yamamura Packaging International Limited" (SMYPIL) on January 3, 2008 and such change become effective on June 11, 2008.

Below is a list of domestic and international packaging subsidiaries:

San Miguel Yamamura Packaging Corporation (formerly San Miguel Packaging Specialists, Inc.) and subsidiary,
San Miguel Yamamura Fuso Molds Corporation (SYFMC)
San Miguel Yamamura Packaging International Limited (SMYPIL) (formerly San Miguel Packaging International Limited [SMPL]) and subsidiaries including
San Miguel Yamamura Haiphong Glass [Co., Ltd. (SMYHG),
San Miguel Yamamura Phu Tho Packaging Company, Ltd.
Zhaoqing San Miguel Yamamura Glass Co., Ltd.,
Foshan San Miguel Yamamura Packaging Company, Ltd.
PT San Miguel Sampoerna Packaging Industries Ltd.
San Miguel Yamamura Packaging & Printing Sdn. Bhd.,
San Miguel Yamamura Woven Products Sdn. Bhd.,
Packaging Research Center Sdn. Bhd.
San Miguel Yamamura Plastic Films Sdn. Bhd.
Mindanao Corrugated Fibreboard, Inc.
San Miguel Rengo Packaging Corporation
San Miguel Yamamura Asia Corporation

Properties

San Miguel Properties, Inc. (SMPI) was created in 1990 as an independent developer. It is the Group's primary property subsidiary, currently owned 99.68% by SMC. SMPI was created by a merger of San Miguel Properties Philippines, Inc. and publicly-listed Monterey Farms Corporation on January 30, 1998, where Monterey Farms Corporation emerged as the surviving entity. Upon the merger's effectivity, Monterey Farms Corporation changed its name to San Miguel Properties, Inc. On December 9, 2002, SMPI merged with another subsidiary, HOC Realty, Inc. ("HRI"), with SMPI as the surviving entity.

SMPI is presently engaged primarily in the development, sale and lease of real properties. It is the corporate real estate arm of the Group. SMPI also has a significant interest in Bank of Commerce ("BOC"), which has been serving the Philippine banking community for over 15 years.

Other subsidiaries include the following:

SMC Shipping and Lighterage Corporation
Challenger Aero Air Corp.
San Miguel Distribution Co., Inc.
Anchor Insurance Brokerage Corporation
SMC Stock Transfer Service Corporation
ArchEn Technologies Inc.
SMITS, Inc. and subsidiary
SM Bulk Water Company Inc.
San Miguel Energy Corporation)
Iconic Beverages, Inc.
Brewery Properties, Inc.
Pacific Central Properties, Inc.
Seaside Industrial Estate, Inc.
Philippine Breweries Corporation
San Miguel Holdings Corp (formerly San Miguel Logistics Asia Corporation) and subsidiaries
San Miguel Kuok Food Security, Inc.

Principal products or services

The principal products of the Group are attached hereto as **Annex "A"**.

Percentage of sales or revenues and net income contributed by foreign sales

The Group's 2008 foreign operations contributed about 12.14% of consolidated sales and 21.04% of consolidated net income. Foreign sales are broken down by market as follows:

	% to Consolidated Sales		
Market	**2008**	**2007**	**2006**
Continuing Operations:			
China	3.76	2.78	3.06
Indonesia	2.33	1.28	1.20
Vietnam	1.82	1.23	.95
Others	4.23	1.69	1.58
Discontinued Operations:			
Australia	-	33.81	30.45

Distribution Methods

The Group employs various means to ensure product availability at all times. It distributes through a network of dealers, wholesalers, and various retailers. The Group owns, as well as contracts third parties for, fleet of trucks, delivery vans, and barges, to ensure timely and cost efficient distribution of its various products, from food to beverages.

Status of any publicly-announced new product or service

New products of the Group are discussed in **Annex "D"** hereto.

Competition

The Group has the leading brands with the highest quality in the industry, substantial market share leads over its nearest competitors, successful pricing strategies and strong financial position.

Sources and Availability of Raw Materials and Supplies

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group is not aware of any dependency upon one or a limited number of suppliers for essential raw materials as it continuously looks for new principals/traders where the strategic raw materials could be sourced out and negotiations are done on a regular basis. The Group has contracts with various suppliers (from a related party and third parties) for varying periods ranging from 1 to 5 years. All contracts contain renewal options.

Among the Group's third party supplier of major raw materials in 2008 are as follows:

Beverage Business

Molasses/Alcohol	Balayan Distillery Inc.
	Berbacs Chemicals, Inc.

	Ed & F Man
	Heindrich Trading Corporation
	Kooll Company, Inc.
	Progressive Chemicals Trade, Inc.
	Schuurmans & Van Ginneken Phils., Inc.
	Second Consolidated Sugar Corporation
	Yantai City Charles Commerce Co. Ltd
	Yantai Whisno Charles Winery Co., Ltd
Malt	COFCO Malt (Jiangyin) Co. Ltd.
	Joe White Maltings Pty Ltd.
	Malteurop (Baoding) Malting Co. Ltd.
	Malteurop S.A.
PET Bottles	Emson Arwin Plastic Technologies
	Taiwan Hon Chuan Enterprise Co., Ltd.
PET Resins	Far Eastern Textile Ltd.
Cartons	Cavite Packaging Corporation
	Twinpack Container Corporation
Flavors	Archer Daniels Midland Company (ADM)
	BASF Philippines Inc.
	CP Kelco Singapore Pte. Ltd.
	DSM Nutritional Products Asia Pacific Pte Ltd.
	Etablissements V. Mane Fils
	Firmenich Asia Pte Ltd.
	Givaudan Nederland BV
	Givaudan Roure Pte Ltd.
	Givaudan UK Ltd
	Givudan Singapore Pte Ltd.
	International Flavors & Fragrances (Philippines) Inc.
	Kerry Food Ingredients (Philippines) Inc.
	Mane Investissements
	Mastertaste Inc.
	Nutra Asia Enterprise
	P.T. Mane Indonesia
	Quest International Philippines Corporation
	Sensient Technologies Corporation
	Symrise Inc.

	Vitachem Industries, Inc.
Concentrates / Fruit Purees	Breko GmbH
	Chia Meei Food Industrial Corp.
	EAC (Philippines), Inc.
	Kerr Concentrates Inc.
	Cenmaco, Inc.
	Del Monte Philippines, Inc.
	Dohler Germany
	Iprona AG/Spa
	Marsman-Drysdale Foods Corporation
	Positif Corporation
	Profoods International Corporation / Tropical Fruit Asia Corporation
Brandy Concentrate	Jose Estevez, S.A.
Sugar	Sunnix, Incorporated
	All Asian Countertrade, Inc.
	Central Azucarera Don Pedro Inc.
	Second Consolidated Sugar Corporation
	S M C Food 21 Pte Ltd
Other Ingredients	Far East Corn Cebu
	Granville
	Purchem Corp.
	R&P Enterprise
	Syrodec Corporation
	Tate & Lyle Sucralose, Inc.
	United Coconut Chemicals, Inc. (Cocochem)
Chemicals	Arvin International
	Atom Chemical, Inc.
	Bacolod Chemical Supply
	Beauchem Industries International Inc.
	Crown Agri Trading Corp.
	Danrey Unisaver Safety Products
	Ecolab
	Emerald Chemicals, Inc.
	Fabcon Philippines Inc.
	GE Philippines Inc.

	Mabuhay Vinyl Corporation
	Marsons Farm Trading
	PLM Chemical Corp.
	Siemens
	Sytengco Philippines Corporation
	Taihon Chemicals & Services Inc.
	TFE Sales Marketing Corp.
	TNC Chemicals Philippines, Inc.
	United Coconut Chemicals, Inc. (Cocochem)
	Universal Aquarius Inc.
	Vitachem Industries, Inc.
	Zi-TechAsia (Pilipinas), Inc.
Corn Grits/Tapioca/Rice	Cagayan Corn Products Corp.
	Franklin M&M Agri Int'l Inc.
	Heinrich Trading Limited
	RJJ Enterprises
Packaging Materials	Printwell Inc.

Food Business

Corn / Corn Grits / Corn Bran	Ana Hidalgo Palay & Corn Dealer
	Anson Grains Dealer
	Cagayan Corn Products Corp.
	Cauayan Grains Center
	Cosko Export & Import Inc.
	Davao Wesscon Trade Corp.
	Dingras Grains Center
	E & G Grains Buying Station
	Escano-Sison Agricultural Supply & Escano Rice Mill
	Holynest Farm Supply
	J & M Comprada & Poultry Supply
	J & M Trucking
	JEJ Palay Buying Station
	JM Agri Enterprises
	June Tanglao Trading
	Leonardo Pua Grain Dealer
	Leyte Circle Trading
	Lucky Grains Rice Mill

	Macam Soraino Agricultural Trading
	Magno Y. Lim Cereal Trading
	Maring Agri Supply
	Maymatan Farmers Multi-Purpose Cooperative
	Mendoza Farm Supply
	Mindanao Grain Processing Co., Inc.
	Minsayap Copra Buyer
	MMGR Farm Supply
	Muñoz Macam Agricultural & Poultry Supply
	N.G. Salvador Palay & Corn Buying
	Nan’s Marketing Corporation
	NJP Grains Dealer
	PMG Trading
	Ricor Mills Corporation
	Sanicom Trading
	Southern Mindanao Commodities Inc.
	WBA Trading
	Ylarde Rice Mill
	Yuemms Agricultural Products
Hogs	Canary Square Int'l Corporation
	Cavite Pig City, Inc.
	Fil-Am Foods, Inc.
	Jaro Development Corp.
	Kalookan Slaughterhouse
	Linsangan Trading Corp.
	Nian's Trading Inc.
	Pic Philippines, Inc.
	Rombe Philippines, Inc.
	Three Brother's Piggery Farm
	Unifive Farm Inc.
Indian Buffalo Meat	Allanasons Limited
	Hind Agro Industries Ltd.
Rice Bran	Lucky Grains Rice Mill
	Northern Star Rice Mill, Inc.
Soybean and Soybean Meals	Ag Processing Inc.
	Louis Dreyfus Asia Pte Ltd.
	Paritas

	Simon Enterprises Inc.
Cassava / Tapioca Residue Pellets	A C M Commodities Co.
	AGB Agricultural Enterprises
	Aldar Buy & Sell
	Aligre Marketing
	Alrazon Farm Products
	Ana S. Celis
	Aristocrat Interiors
	Baganian Peninsula Planters Multi-Purpose Cooperative
	Bais Good Earth Enterprises
	Balubal Integrated Social Forestry
	Balugo Farmers Multi-Purpose Cooperative
	Calabanga Liga ng Mga Barangay
	Concepcion C. Ang
	Darruba Agro-Forest Ass'n
	DBA Traders & Industrial Works
	Dennis H. Yu
	Ernie A. Inson
	Farmers' Cooperative Marketing Association Inc.
	First Crown Cassava Inc.
	Francisco D. Uyguanco, Sr.
	FTS Agrifood Corp.
	G. Banal Buying Station
	G.L. Besanes Milling
	Gango Samahang Nayon Multi-Purpose Cooperative
	Genesis Agri-Business Ventures, Inc.
	Heindrich Agri Corporation
	HP Cassava Production, Inc.
	IBC Trading Corporation
	J & M Enterprises
	Jonathan Sayson Tome
	JVA Enterprises
	Kakadil Corporation
	Larry Kris Enterprises
	LJC Cassava Buy & Sell
	Magsaysay Farmers Multi-Purpose
	Majent Agro Industrial Corporation
	Maligaya Farmers Multi-Purpose Cooperative
	Mangloy Multi-Purpose Cooperative

	Manila de Bugabos Multi Purpose Cooperative
	Maymatan Farmers Multi-Purpose Cooperative
	McComm Philippines Inc.
	Miraya Development Corp.
	Mountain Bliss Agri-Industrial Trading
	MRD Agri-Products Buy & Sell
	Nilo J. Jardeleza
	Pobussilla Agrarian Reform
	Polo Samahang Nayon, Multi-Purpose Cooperative
	Porac Federation Multi-Purpose Cooperative
	Predal's Store
	RB Herbs Direct Sales Enterprise
	Reynaldo N. Palabrica
	Ricop Monkayo Farmworkers Ben. Multi Purpose Cooperative
	RL Morning Star Trading & Services
	Sadava Agri Buy & Sell
	San Jose Multi Purpose Cooperative
	Saranay Multi Purpose Cooperative
	Sitio Paniguian Multi-Purpose
	Sitio Pedregosa Multi-Purpose Cooperative
	SRT Libjo Agri Fishery Multi-Purpose
	St. James Multi-Purpose Cooperative
	Surigao City Cassava Growers Multi-Purpose Cooperative
	Ulysses Luardo
	Villa Luna Multi-Purpose
	Water Garden Multi-Purpose
	Western Visayas Agro Industrial
Spring / Soft Wheat	The Canadian Wheat Board
	Columbia Grain International, Inc.
	Toyota Tsusho Corporation

Packaging Business

ADHESIVES	Julu Cornstarch Corporation
	Trans World Trading Co. Inc.
ALUMINUM - COIL	Alcoa Australia Rolled Products Pty Limited
	Macro International Corporation

ALUMINUM - FOIL	Daching Enterprises Limited Daihan Eunpakgy Industrial Co. Ltd. Lotte Aluminum Company Ltd.
ALUMINUM - SHEET	Macro International Corporation Samhwa Trading & Packaging Co. Ltd.
CAP/CROWN LINER	Chemdis Manufacturing Corp First In Colors Inc. Fortune Plastics Processing & Chemical Corporation Samhwa Trading & Packaging Co. Ltd. Sancap Liner Technology, Inc.
COATINGS - HOT MELT	Michelman Asia-Pacific Pte Ltd W.R. Grace (Philippines), Inc.
COATINGS - OVERPRINT	CDI Sakata Inx Corp. Chemdis Manufacturing Corp Inkote Philippines, Inc. The Valspar (Singapore) Corporation Pte Ltd W.R. Grace (Philippines), Inc.
COATINGS - POWDER	Henkel Philippines, Inc.
CORRUGATED CARTON	Milestone Paper Products, Inc. Superior Packaging Corporation
FELDSPAR	Feldspar Corporation
FILMS	PT Argha Karya Prima Industry, Tbk. Synergy Sales International Corporation Tri-Pack Philippines Corporation
KRAFT PAPER	Carter Holt Harvey Limited DaiEi Papers (USA) Corp. Kwok Fung (Sino HK) Enterprise Limited Milestone Paper Products, Inc. Price & Pierce International Inc. United Pulp and Paper Co., Inc. Visy Pulp And Paper Pty. Ltd.

PAINT - ACL	CDI Sakata Inx Corp.
PET - PREFORMS	HC (Asia) Holdings Co., Ltd. Taiwan Hon Chuan Enterprise Co., Ltd.
PIGMENTS	Masterbatch Philippines, Inc.
RESIN - COATING / LAMINATE	Dow Chemical Pacific (Singapore) Pte. Ltd JG Summit Petrochemical Corporation
RESIN - HDPE	Basell Asia Pacific Limited Basell International Trading FZE JG Summit Petrochemical Corporation SK Plastic Reliance Company
RESIN - LDPE	Chemvision Inc. Dow Chemical Pacific (Singapore) Pte. Ltd Trans World Trading Co., Inc.
RESIN - LLDPE	Chemvision Inc. Filplast Enterprises
RESIN - PET	Far Eastern Textile Ltd. Indorama Polymers Public Company Limited
SAND	Cephas Piscium Corporation Connell Bros. Co. Pilipinas, Inc. Woodward Japan Inc.
SODA ASH	Arvin International Marketing Inc. Connell Bros. Co. Pilipinas, Inc.
TFS	Macro-Lite Korea Corporation Metal One Corporation Mitsui & Co., Ltd. (Japan)
CULLET	Coca-Cola Bottlers Philippines, Inc. JJPS General Merchandise Sanven Marketing Corporation

INK	CDI Sakata Inx Corp.
	Toyo Ink (Philippines) Co., Inc.

Dependency upon a single customer or a few customers

Due to constant drive toward customer satisfaction and continuous improvement, the Group is able to maintain its wide base of customers. The Group is not dependent upon a single or a few customers.

Transactions with and /or dependence on related parties

The Group and certain related parties, in the normal course of business, purchase products and services from one another. Please see Note 29 of the Consolidated Financial Statements attached hereto as **Annex "E"**.

Registered Trademarks/Patents, Etc.

All marks used by the Group in its principal products are either registered or pending registration in the name of the Parent Company or its subsidiaries in the Philippines and in foreign markets of said products.

Government Approval

The Group has obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

Government Regulation

The Group has no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Group's business or financial condition.

Research & Development

The Group's expenses for research and development are as follows (amounts in millions):

	2008	2007	2006
Research and Development	P 427	P 58	P 117
Percentage to Net Income	0.%	0.67%	1.13%

Human Resources and Labor Matters

As of December 31, 2008, the Group has about 15,344 employees and has 46 existing collective bargaining agreements ("CBA"). Of the 46 CBAs, 10 will be expiring in 2009.

The list of CBAs entered into by the Company and its subsidiaries with their different employee unions, is attached hereto as **Annex "B"**.

The Group does not expect any significant change in its existing workforce level within the ensuing twelve (12) months.

There have been no strikes experienced by the Group in the last three (3) years. While notices of strike were filed against certain packaging and food subsidiaries of the Parent Company in 2008, these were subsequently resolved by the parties amicably.

The Company and majority of its subsidiaries have funded, noncontributory retirement plans covering all of their permanent employees. The retirement plan is described in Note 31 of the 2008 Audited Consolidated Financial Statements of the Company attached hereto as **Annex "E"**.

Major Business Risk/s

The major business risks facing the Group are as follows:

a) Competitor Risks

New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new or updated technologies, costs reductions, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

b) Catastrophy and Environmental Risks

War, terrorism, fire, severe weather conditions, health issues and other similar events that are completely beyond the control of the Group were mitigated with the re-channeling of volumes from mostly on-premise outlets to retail stores.

c) Political Risks

The risk of adverse consequences through political actions by way of discouraging alcoholic consumption in Indonesia where the Group has a sizeable investment in a brewery is being gradually addressed with the introduction of non-alcoholic beverages that can cater to the predominantly Muslim population. Marketing and distribution efforts for the Group's beer products have focused only in outlets where alcoholic beverages are allowed to be sold and consumed.

d) Regulatory Risks

Changes in regulations and actions by national or local regulators can result in increased competitive pressures, such as the recent legislation on excise tax increases for alcoholic beverages.

e) Social and Cultural Risks

The way people live, work and behave as consumers can affect the industry's products and services. For example, more women in the workplace, concerns about drug use, increasing crime rate, increased health consciousness, etc. The Group has introduced products that try to address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* was introduced to address increasing health consciousness and *San Miguel Strong Ice Beer* for the upwardly mobile market. Initiatives similar to this have been pushed in the food division for years.

f) Sourcing Risks

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs.

g) Financial Risk

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins.

Prudent fund management is employed to manage exposure to changes in earnings as a result of fluctuations of interest rates, currency rates, etc.

Cash flows and financial risks are managed to ensure adequate liquidity of the Group. Accounts receivables, inventory, loans and payables are monitored to ensure liquidity.

Please refer to Note 36 of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "E"** for the discussion of the Group's Financial Risk Management Objectives and Policies.

Item 2. Properties

A summary of information on the Parent Company and its significant subsidiaries' principal plants and conditions thereof, is attached hereto as **Annex "C"**.

The Parent Company and its significant subsidiaries have no principal properties that are subject to a lien or mortgage or any specific limitations in usage or ownership. There are no imminent acquisitions by the Parent Company of any material property that cannot be funded by working capital of the Parent Company or its significant subsidiaries.

Item 3. Legal Proceedings

The Parent Company or any of its subsidiaries or affiliates is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Group or its results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

There are no matters which were submitted to a vote of the Company's stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2007.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

The Company's common equity is traded in the Philippine Stock Exchange.

The Company's high and low closing prices for each quarter of the last two (2) fiscal years are as follows:

	2007				2008			
	Class A		Class B		Class A		Class B	
	High	Low	High	Low	High	Low	High	Low
1st	67.50	61.00	79.50	69.50	61.50	38.50	62.00	39.00
2nd	80.00	64.00	88.00	71.50	47.00	38.00	49.00	38.50
3rd	76.50	59.00	87.00	59.50	61.00	39.00	62.00	39.00
4th	65.00	42.50	67.00	43.00	59.50	39.50	60.00	40.50

The closing prices as of April 3, 2009, the latest practicable trading date, are as follows:

Class "A" Common ₱ 54.50
Class "B" Common ₱ 55.00

The approximate number of shareholders as of December 31, 2008 is 42,189.

The top 20 stockholders as of December 31, 2008 are as follows:

Rank	Name of Stockholders	Class "A"	Class "B"	Total No. of Shares	% of Total O/S
1	San Miguel Corporation Retirement Plan	745,307,648	111,808,267	857,115,915	27.17%
2	Kirin Holdings Company Limited	0	628,640,175	628,640,175	19.93%
3	ASC Investors, Inc.	144,673,424	22,809,671	167,483,095	5.31%
4	ARC Investors, Inc.	12,160,662	93,528,698	105,689,360	3.35%
5	PCD Nominee Corporation (Filipino)	37,777,540	64,003,861	101,781,401	3.23%
6	Primavera Farms, Inc.	94,738,250	0	94,738,250	3.00%
7	Toda Holdings, Inc.	74,880,174	0	74,880,174	2.37%
8	Misty Mountains Agricultural Corp.	63,158,769	0	63,158,769	2.00%
9	Pastoral Farms, Inc.	63,158,769	0	63,158,769	2.00%
10	Black Stallion Ranch, Inc.	63,158,769	0	63,158,769	2.00%
11	Te Deum Resources, Inc.	58,483,000	4,823	58,487,823	1.85%
12	Rock Steel Resources, Inc.	4,138,792	54,098,611	58,237,403	1.85%
13	San Miguel Officers Corp., Inc.	35,719,434	18,143,601	53,863,035	1.71%
14	Roxas Shares, Inc.	7,032,718	45,782,476	52,815,194	1.67%
15	Silver-Leaf Plantations, Inc.	47,369,061	0	47,369,061	1.50%
16	Meadow-Lark Plantations, Inc.	47,369,039	0	47,369,039	1.50%
17	AP Holdings, Inc.	33,592,251	1,077,154	34,669,405	1.10%
18	Valhalla Properties Limited	13,700,183	17,711,665	31,411,848	1.00%
19	Soriano Shares, Inc.	0	301,123,850	301,123,850	0.95%
20	PCGG in Trust for the Comprehensive Agrarian	19,324,884	8,246,525	27,571,409	0.87%

Cash dividends declared per share amounted to P1.40 in 2008 and 2007.

Description of the following securities of the Company may be found in the indicated Notes to the 2008 Audited Consolidated Financial Statements, attached herein as **Annex "E"**:

Long-term Debt Note 19
Stockholders' Equity Note 21
Share-Based transactions Note 35

There were no securities sold by the Company within the past three (3) years which were not registered under the Securities Regulation Code. The Company has not issued any exempt security or any securities pursuant to an exempt transaction other than the common shares issued under the Employee Stock Purchase Program and Long Term Incentive Program for Stock Options for eligible senior and key management officers of the Company described in Note 35 of the 2008 Audited Consolidated Financial Statements attached hereto as **Annex "E".**

Item 6. Management's Discussion and Analysis or Plan of Operation.

The information required by Item 6 (A) may be found on **Annex "D"** hereto.

Item 7. Financial Statements

The 2008 Audited Consolidated Financial Statements and Statement of Management's Responsibility with the Supplementary Schedules are attached as **Annex "E"** hereto.

Item 8. Information on Independent Accountant and Other Related Matters

(A) External Audit Fees and Services

The accounting firm of Manabat Sanagustin & Company (formerly Laya Mananghaya & Co.) served as the Company's external auditors for the last two fiscal years.

The Parent Company paid the external auditor Audit Fees amounting to P9 million and P6 million in 2008 and 2007, respectively.

The stockholders approve the appointment of the Company's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations.

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the incumbent and key executive officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

Eduardo M. Cojuangco, Jr., Filipino, 73, is the Chairman and Chief Executive Officer of the Company, a position he has held since July 7, 1998. He also holds the following positions: Chairman and Chief Executive Officer of Ginebra San Miguel, Inc.; and Chairman of San Miguel Pure Foods Company, Inc. He is also the Chairman of ECJ & Sons Agricultural Enterprises, Inc.

and the Eduardo Cojuangco, Jr. Foundation, Inc., and a Director of Cainaman Farms, Inc., Petron Corporation and Manila Electric Company.

Ramon S. Ang, Filipino, 55, is the Vice Chairman, President and Chief Operating Officer of San Miguel Corporation. He also holds, among others, the following positions: Chairman and President of San Miguel Brewery Inc.; Chairman of San Miguel Properties, Inc., The Purefoods-Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, Anchor Insurance Brokerage Corporation and San Miguel Brewery Hong Kong Limited (Hong Kong); and a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. He is also the Chairman and Chief Executive Officer of Petron Corporation; Chairman of Liberty Telecoms Holdings Inc., Philippine Diamond Hotel & Resort, Inc., Philippine Oriental Realty Development, Inc., Atea Tierra Corporation and Cyber Bay Corporation; Vice Chairman of Manila Electric Company; and an Independent Director of Philweb Corporation. Mr. Ang has held directorships in various subsidiaries of SMC in the last five years.

Estelito P. Mendoza, Filipino, 79, is a Director of San Miguel Corporation, Petron Corporation, Manila Electric Company and Philippine Airlines, Inc., and Chairman of Prestige Travel, Inc. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office. He is also a former Chairman of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank.

Iñigo Zobel, Filipino, 52, has been a Director of the Company since May 5, 1999; and a Member of the Company's Executive Committee, Executive Compensation Committee, Nominations and Hearing Committee and Audit Committee. He is also an Independent Director of San Miguel Brewery Inc, Ginebra San Miguel, Inc. and San Miguel Properties, Inc. He also holds the following positions: President and Chief Executive Officer of E. Zobel, Inc., President of Ayala España S.A., Calatagan Golf Club, Inc. and Hacienda Bigaa, Inc.; and a Director of Frontier Investment Holdings, Inc., Global 5000 Investments, Inc., Calatagan Resort, Inc., Calatagan Gulf Realty, Inc., and Mermac, Inc. He was previously the President of Diamond Star Agro Products, Inc. (1985-2007) and an Independent Director of San Miguel Pure Foods Company, Inc. (2006-2009).

Winston F. Garcia, Filipino, 50, has been a Director of the Company since February 1, 2001; and a Member of the Company's Nominations and Hearing Committee. Atty. Garcia is the President and General Manager of the Government Service Insurance System and Vice Chairman of its Board of Trustees. He also holds the following positions: Chairman of the National Reinsurance Corporation of the Philippines, GSIS Mutual Fund, Inc., PCIB Securities and Equitable Savings Bank, Inc.; Vice Chairman of Philippine Social Security Association, Equitable Card Network, Inc. and Equitable PCI Bank, Inc.; a Director of Philippine National Construction Corporation, Philippine Health Insurance Corporation, Asean Forum, Inc., PCI Capital Corporation, EBC Investments, Inc. and Asean Social Security Association; and a Member of the International Insurance Society, Inc. and International Social Security Association. Atty. Garcia is a practicing lawyer since 1983.

Menardo R. Jimenez, Filipino, 76, has been a Director of the Company since February 27, 2002. He is also a Director of San Miguel Pure Foods Company, Inc., and Magnolia, Inc. His other positions include: President and Chief Executive Officer of Albay-Agro Industrial Development Corporation; Chairman and President of Majent Management and Development Corporation, Majent Agro Industrial Corporation, M. A. Jimenez Enterprises, Inc., Pac Rim Realty Development Corporation, Television International Corporation, Alta Tierra Resources, Inc. and Fibers Trading, Inc.; Chairman of Cable Entertainment Corporation, Majent Foundation, Inc., Marathon Building Technologies, Inc. and Meedson Properties Corporation; and a Director of First Metro Investment Corporation, Cunickel Mining Corporation, Electronic Realty Associates, Inc., Mabuhay Philippines Satellite Corporation, Franchise One Corporation, CBTL Holdings, Inc., CCC Insurance Corporation and Pan-Phil Aqua Culture Corporation.

Pacifico M. Fajardo, Filipino, 65, has been a Director of the Company since November 4, 2004 and for the years 2002 to 2004. He also holds the following positions: Chairman and President of Harvestgold Shipping, Transport and Trading Corporation and P.M. Fajardo Youth Development and Scholarship Foundation, Inc.; Chairman of RICNOR Farms, Inc.; and a Member of the Board of Regents of the Nueva Ecija University of Science and Technology. He previously served as Congressman of the Third District of Nueva Ecija (1992-2001), City Mayor (1988-1992) and Officer-in-Charge/City Mayor (1986) of Palayan City, Nueva Ecija, and Administrator of the Light Rail Transit Authority (2004).

Leo S. Alvez, Filipino, 66, has been a Director of the Company since February 27, 2002. He is also a Director of Ginebra San Miguel, Inc. and San Miguel Pure Foods Company, Inc. Ret. Major General Alvez is a former Security Consultant to the Prosecution Panel of the Senate Impeachment Trial of President Joseph Estrada (2000-2001), Vice Commander of the Philippine Army (1998), and Division Commander of the 7th Infantry Division (1996-1998).

Egmidio de Silva Jose, Filipino, 62, has been a Director of the Company since April 20, 2004. He also holds the following positions: President of Valerie Products Manufacturing, Inc., Sanoh Fulton (Philippines), Inc., VA Components, Inc., Optimum Securities Corporation, Kyoei Kogyo (Philippines) Corporation and ESJ Properties. He is also a Director of Hanano Philippines Corporation, Asahi Cast Philippines, Inc., Metal Press Assembly and Jupiter Logistics Philippines.

Silvestre H. Bello III, Filipino, 64, has been a Director of the Company since October 2, 2006. He is the Presidential Adviser on New Government Centers, Office of the President and a partner at the Yulo and Bello Law Offices (since 2001). Mr. Bello is a former Chief Executive Officer and General Manager of the Philippine Reclamation Authority (2006); Chief Executive Officer and President of PNOC-Development and Management Corporation (2004-2005); and Chairman of the GRP Panel for Talks with the CCP-NPA-NDF (2001-2004).

Koichi Matsuzawa, Japanese, 60, is a Director of the Company since July 24, 2007. He is Managing Executive Officer and General Manager, Strategic Planning Department of Kirin Holdings Company Limited. His previous work experience with Kirin Brewery Company Limited includes: President and Chief Executive Officer (2008), Managing Director (2006-2007); Managing Executive Officer and General Manager (2005), Executive Officer and General Manager (2004), and General Manager (2003), Production and Quality Control Department, Production Division; and General Manager, Hokuriku Plant (2002). He was also a former President of Kirin Europe GmbH (1996).

Hirotake Kobayashi, Japanese, 54, has been a Director of the Company since July 24, 2008. He is Executive Officer and General Manager, Strategic Planning Department of Kirin Holdings Company Limited. His previous work experience includes: Executive Officer and General Manager, Accounting and Finance Department, Kirin Business Expert Company Limited (2007) and Director, Lion-Nathan Limited (1998).

Hector L. Hofileña, Filipino, 79, has been a Director of the Company since July 24, 2008. He is a former Associate Justice of the Court of Appeals (1994-1999) and currently Director of San Miguel Properties, Inc. Justice Hofileña is a professor at the Ateneo De Manila University.

Carmelo L. Santiago, Filipino, 66, has been an Independent Director of the Company since July 24, 2008. He is an Independent Director of San Miguel Brewery Inc., San Miguel Properties, Inc. Anchor Insurance Brokerage Corporation, San Miguel Brewery Hong Kong Limited (Hong Kong) and Liberty Telecoms Holdings Inc.; and Director of Terbo Concept. Mr. Santiago is the founder and owner of several branches of Melo's Restaurant and has held directorships in Ginebra San Miguel, Inc. (1998-2004), Manila Standard, Inc. (1998-2004), National Power Corporation (1998-2004) and Philippine National Bank – Hong Kong (1998-2004).

***Keisuke Nishimura**,* Japanese, 52, has been a Director of the Company since March 26, 2009. His previous work experience includes: Chairman and CEO of Kirin (China) Investment Company, Limited (2005); and Manager, Corporate Planning Department (2002), Chief Executive Assistant to the Board (2001), Executive Assistant to the President (1997) and Manager, Personnel Department (1992) of Kirin Brewery Company, Limited.

***Ferdinand K. Constantino**,* Filipino, 57, is Senior Vice President, Chief Finance Officer and Treasurer of San Miguel Corporation. He also holds, among others, the following positions: Chief Finance Officer of Manila Electric Company; President of Anchor Insurance Brokerage Corporation; and a Director of San Miguel Brewery Inc., Ginebra San Miguel, Inc., San Miguel Properties, Inc., San Miguel Yamamura Packaging Corporation, Bank of Commerce, Magnolia, Inc., San Miguel Brewery Hong Kong Limited and San Miguel Foods, Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009), and has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

Francis H. Jardeleza, Filipino, 59, is the Corporate Secretary (since April 2, 2001), Senior Vice-President and General Counsel (since 1996) and Compliance Officer of the Company. He is also Director, Corporate Secretary and Compliance Officer of San Miguel Brewery Inc.; Corporate Secretary and Compliance Officer of Ginebra San Miguel, Inc., San Miguel Pure Foods Company, Inc. and San Miguel Properties, Inc.; Corporate Secretary of The Purefoods-Hormel Company, Inc.; and Chairman and President of SMC Stock Transfer Service Corporation. Mr. Jardeleza has been a director, corporate secretary and/or assistant corporate secretary of various subsidiaries of San Miguel Corporation during the last five (5) years and is a professorial lecturer at the University of the Philippines (1992-2003, 2007-2009).

Francisco S. Alejo III, Filipino, 60, is the President (since May 20, 2005) and a Director (since May 22, 2001) of San Miguel Pure Foods Company, Inc. He also holds the following positions: Chairman and Chief Executive Officer of Monterey Foods Corporation; Vice Chairman of San Miguel Foods, Inc.; President of The Purefoods-Hormel Company, Inc., Magnolia, Inc.and San Miguel Super Coffeemix Co., Inc.; and Chairman and President of Sugarland Corporation and Star Dari, Inc.

Ferdinand A. Tumpalan, Filipino, 48, is the President of San Miguel Yamamura Packaging Corporation (since September 16, 2005). He is also President of San Miguel Yamamura Asia Corporation, San Miguel Rengo Packaging Corp., Mindanao Corrugated Fibreboard, Inc. and SMC Yamamura Fuso Molds Corporation. He is a former President of the Company's Packaging Products Division (2005).

Roberto N. Huang, Filipino, 60, is the Director and General Manager of San Miguel Brewery Inc. He also holds the following positions: Senior Vice President of SMC and Director of SMBI. He also served as Director of GSMI (2004-2008) and SMPFC (2004-2008); President of Coca-Cola Bottlers Philippines, Inc., Cosmos Bottling Corporation and Philippine Beverage Partners, Inc. (2003-2007); and Senior Vice President, Director, Corporate Sales for the Food, Beverage, Corporate Key Accounts and Corporate Export Sales Groups (2002-2003) and Vice President and Director, Corporate Sales for the Beverage Group (2001-2002) of SMC.

Gerardo C. Payumo, Filipino, 51, is the President of Ginebra San Miguel, Inc. (since August 9, 2006). He was a former Senior Vice President and Director of the Corporate Procurement Unit of San Miguel Corporation (1998-2006).

***Carlos Antonio M. Berba**,* 44, is the Chairman and Managing Director of San Miguel Brewing International. He previously served the Company as President of the San Miguel Beer Division (2006-2007, Vice President, CFO for International Beer Operations and Director for Business Planning and Information Management, San Miguel Beer Division (2002-2006). Mr. Berba was

formerly the Chief Finance Officer of Baxter Healthcare Philippines (2001-2002) and First Vice President of All AsiaCapital Managers, Inc. (2000-2001).

Term of Office

Pursuant to the Company's By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

Independent Directors

The independent directors of the Company are as follows:

1. Iñigo Zobel
2. Winston F. Garcia
3. Carmelo L. Santiago

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been involved in any legal proceeding, including without limitation being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item. 10 Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and senior executive officers of the Company are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers[1]	2009 (estimated)	P 138.1 Million	P 31.6 Million	P 32.6 Million	P 202.3 Million
	2008	P 127.5 Million	P 44.1 Million	P 31.3 Million	P 202.9 Million
	2007	P 126.0 Million	P 97.3 Million	P 39.1 Million	P 262.4 Million
All other officers and directors as a group unnamed	2009 (estimated)	P 115.9 Million	P 37.2 Million	P 41.0 Million	P 194.1 Million
	2008	P 172.2 Million	P 31.3 Million	P 77.8 Million	P 281.3 Million
	2007	P 416.4 Million	P 134.8 Million	P 158.0 Million	P 709.2 Million
Total	2009 (estimated)	P 254.0 Million	P 68.8 Million	P 73.6 Million	P 396.4 Million
	2008	P 299.7 Million	P 75.4 Million	P 109.1 Million	P 484.2 Million
	2007	P 542.4 Million	P 232.1 Million	P 197.1 Million	P 971.6 Million

Section 10 of the Amended By-Laws of the Company provides that the Board of Directors shall receive as compensation no more than 2% of the profits obtained during the year after deducting therefrom general expenses, remuneration to officers and employees, depreciation on buildings, machineries, transportation units, furniture and other properties. Such compensation shall be apportioned among the directors in such manner as the Board deems proper.

The Long-Term Incentive Plan for Stock Options ("LTIP") of the Company grants stock options to eligible senior and key management officers of the Company as determined by the Committee administering the said Plan. Its purpose is to further and promote the interests of the Company and its shareholders by enabling the Company to attract, retain and motivate senior and key management officers, and to align the interests of such officers and the Company's shareholders.

On November 10, 2005, the Company approved the grant of stock options to 1,096 executives and middle managers of about 4.43 million shares based on the closing price of the Company's shares, computed in accordance with the LTIP. Also on March 1, 2007, the Parent Company approved the grant of options to 822 executives consisting of 18.31 million shares. ON June 26, 2008, the Parent Company approved the grant of options to 742 executives consisting of 7.46 million shares.

Options to purchase 12.45 million shares and 6.65 million shares in 2008 and 2007, respectively, were outstanding at the end of each year. Options which were exercised and

[1] *The Chief Executive Officer and senior executive officers of the Company for 2009 are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Carlos Antonio M. Berba, Emmanuel E. Eraña, Virgilio S. Jacinto, Joseph N. Pineda and Sergio G. Edeza; for 2008: Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Carlos Antonio M. Berba, Emmanuel E. Eraña, Virgilio S. Jacinto, Joseph N. Pineda and Rosabel T. Balan; and for 2007: Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francis H. Jardeleza, Francisco S. Alejo III, Roberto N. Huang, Ferdinand A. Tumpalan, Gerardo C. Payumo and Carlos Antonio M. Berba;*

cancelled totaled about 1.76 million shares and 2.48 million shares in 2008 and 2007, respectively.

There were no employment contracts between the Company and a named executive officer.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of more than 5% of the Company's voting securities as of December 31, 2008 were as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. Of Shares Held	Percent
Class "A" Common	CIIF Companies[2] c/o 16/F, UCPB Building, Makati City	N.A.	Filipino	446,452,536	23.88%
Class "B" Common				307,395,776	

[2] *ASC Investors, Inc., ARC Investors, Inc., Anglo Ventures Corporation, AP Holdings, Inc., Fernandez Holdings, Inc., First Meridian Development, Inc., Randy Allied Ventures, Inc., Rock Steel Resources, Inc., Roxas Shares, Inc., San Miguel Officers Corps., Inc., Soriano Shares, Inc., Te Deum Resources, Inc., Toda Holdings, Inc. and Valhalla Properties Limited, Inc. None of these companies owns more than 5% of the Company's voting securities except ASC Investors, Inc. which has 144,673,424 Class "A" common shares and 22,809,671 Class "B" common shares or a total of 167,483,095 common shares equivalent to 5.31% of the Company's voting securities as of December 31, 2008. The administrator of the CIIF Companies is the United Coconut Planters Bank and the Chairman of the Board or its President or the designate of the Chairman is authorized to vote in person or by proxy the shares registered in the name of the CIIF Companies.*

Class "A" Common	ECJ Companies[3] c/o 18/F, Northeast Tower, The Goldloop Tower, One Goldloop Plaza, Ortigas Center, Pasig City	N.A.	Filipino	473,332,727	15.52%
Class "B" Common				16,652,544	
Class "B" Common	Kirin Brewery Co., Ltd.[4] 10-1 Shinkawa, 2-Chome, Chuo-Ku, Tokyo, Japan	N.A.	Japanese	628,640,175	19.93%
Class "A" Common	San Miguel Corporation Retirement Plan, 40 San Miguel Avenue, Mandaluyong City		Filipino	751,482,791	28.68%[5]
Class "B" Common				153,869,424	

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the directors, Chief Executive Officer, key officers of the Company, and nominees for election as director, as of December 31, 2008:

Title of Class	Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares
		Class A	Class B		
Common	Eduardo M. Cojuangco, Jr.	292,388	0	Filipino	292,388 (0.01%)

[3] *Primavera Farms, Inc., Misty Mountains Agricultural Corporation, Black Stallion Ranch, Inc., Pastoral Farms, Inc., Meadow-Lark Plantations, Inc., Silver-Leaf Plantations, Inc., Agricultural Consultancy Services, Inc., Archipelago Realty Corporation, Balete Ranch, Inc., Christensen Plantation Corporation, Discovery Realty Corporation, Dream Pastures, Inc., Echo Ranch, Inc., Far East Ranch, Inc., First United Transport, Inc., Habagat Realty Development Corporation, Kalawakan Resorts, Inc., Kaunlaran Agricultural Corporation, Labayug Air Terminals, Inc., Land Air International Marketing Corporation, LHL Cattle Corporation, Lucena Oil Factory, Inc., Metroplex Commodities, Inc., Northeast Contract Traders, Inc., Northern Carriers Services Management Corporation, Oceanside Maritime Enterprises, Inc., Oro Verde Services, Inc., PCY Oil Manufacturing Corporation, Philippine Technologies, Inc., Punong Bayan Housing Development Corporation, Pura Electric Co., Inc., Radio Audience Developers Integrated Org., Inc., Radyo Pilipino Corporation, Rancho Grande, Inc., Reddee Developers, Inc., San Esteban Development Corporation, Southern Service Traders, Inc., Southern Star Cattle Corporation, Spade One Resorts Corporation, Unexplored Land Developers, Inc., Verdant Plantations, Inc., Vesta Agricultural Corporation and Wings Resort Corporation. None of these corporations owns more than 5% of the voting securities of the Company. The shares owned by these companies are voted, either in person or by proxy, by the authorized designate of their respective boards.*

[4] *The shares owned by Kirin Brewery Co., Ltd. are voted, in person or by proxy, by its authorized designate.*

[5] *Includes shares lodged with the Philippine Depository and Trust Corporation*

Title of Class	Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares
Common	Ramon S. Ang	6,050	0	Filipino	6,050 (0.00%)
Common	Estelito P. Mendoza	31,972	0	Filipino	31,972 (0.00%)
Common	Iñigo Zobel	16,171	0	Filipino	16,171 (0.00%)
Common	Winston F. Garcia	5,000	0	Filipino	5,000 (0.00%)
Common	Menardo R. Jimenez	5,000	0	Filipino	5,000 (0.00%)
Common	Pacifico M. Fajardo	5,000	0	Filipino	5,000 (0.00%)
Common	Leo S. Alvez	14,326	0	Filipino	14,326 (0.00%)
Common	Egmidio de Silva Jose	5,500	0	Filipino	5,500 (0.00%)
Common	Koichi Matsuzawa	0	5,000	Japanese	5,000 (0.00%)
Common	Kazuhiro Tsukahara	0	5,000	Japanese	5,000 (0.00%)
Common	Hirotake Kobayashi	0	5,000	Japanese	5,000 (0.00%)
Common	Carmelo L. Santiago	5,000	0	Filipino	5,000 (0.00%)
Common	Silvestre H. Bello III	5,000	0	Filipino	5,000 (0.00%)
Common	Hector L. Hofileña	12,303	0	Filipino	12.303 (0.00%)
Common	Ferdinand K. Constantino	163,800	60,000	Filipino	223,800 (0.01%)
Common	Francis H. Jardeleza	70,001	130,000	Filipino	200,001 (0.01%)
Common	Francisco S. Alejo III	0	96,900	Filipino	96,900 (0.00%)
Common	Roberto N. Huang	42,430	32,750	Filipino	75,180 (0.00%)
Common	Gerardo C. Payumo	348	20,000	Filipino	20,348 (0.00%)
Common	Carlos Antonio M. Berba	1,045	0	Filipino	1,045(0.00%)

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of December 31, 2008 is 1,035,984 shares or approximately 0.0328% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of December 31, 2008 is 1,748,579 shares or approximately 0.0554% of the Company’s outstanding capital stock.

None of the above key officers have exercised their options under LTIP in 2008 and 2007.

Voting Trust

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

See Note 29 (Related Party Disclosures) of the Notes to the Audited Consolidated Financial Statements attached hereto as **Annex "E"**.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. The Compliance Officer has certified that, save for the requirement under the Manual for the Company's directors, before assuming their positions as such, to attend a seminar on corporate governance conducted by a duly recognized private or government institute, for 2008, the Company has substantially adopted all the provisions of the Manual.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The 2008 Audited Consolidated Financial Statements and the Supplementary Schedules are attached as **Annex "E"** hereto. The other Schedules as indicated in the Index to Schedules are either not applicable to the Company or require no answer.

(b) Reports on Form 17-C

A summary list of the reports on Form 17-C filed during the last 12- month period covered by this report is attached as **Annex "F"**.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 15, 2009.

By:

-Out-of-the-Country-
EDUARDO M. COJUANGCO JR.
Chairman and Chief Executive Officer

RAMON S. ANG
President and Chief Operating Officer

FERDINAND K. CONSTANTINO
Chief Finance Officer and Treasurer

BELLA O. NAVARRA
Comptrollership Manager/
Principal Accounting Officer

FRANCIS H. JARDELEZA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this April 15, 2009, affiants exhibiting to me their passports as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ramon S. Ang	ZZ202387	December 20, 2006	Manila
Ferdinand K. Constantino	XX0167306	November 24, 2007	Manila
Bella O. Navarra	XX0284770	February 1, 2008	Manila
Francis H. Jardeleza	ZZ225165	April 25, 2007	Manila

Doc. No. 279;
Page No. 57;
Book No. II;
Series of 2009.

IRENE M. CIPRIANO
Commission No. 0221-09
Notary Public for Mandaluyong City
Until Dec. 31, 2010
SMC, 40 San Miguel Ave., Mandaluyong City
A.R. No. 45955
PTR No. 033 [illegible]; 1/[illegible]; Mandaluyong City
IPB NO. 76[illegible]; 11/26/08; Q.C.

Annex "A"

PRODUCTS

Beer Brands

San Miguel Pale Pilsen
San Mig Light
San Miguel Super Dry
San Mig Strong Ice
San Miguel NAB
San Miguel Dark Beer
San Miguel Premium All – Malt Beer
Red Horse
Gold Eagle
Cerveza Negra
Octoberfest Brew
San Miguel Premium Lager
Hess
Blue Ice
Valor
Dragon
Blue Star
Super Cool
Kuda Putih
Anker Brands
W1N Bia
Batavia Draft Beer

Non-Beer Brands

Cali
Sodaku

Ginebra San Miguel, Inc.

Ginebra San Miguel
G.S.M. Blue
Ginebra San Miguel Premium Gin
Ginebra San Miguel Lite
Gran Matador Brandy Solera
Bran Matador Brandy Solera Gran Reserva
Tondeña Premium Rum
Añejo Rum
Antonov Vodka
St. George Premium Whisky
Don Enrique Mixkila Distilled Spirit
ERG
Vino Kulafu
Infinit' Ready-to-Drink Alcoholic Beverage

Non-Alcoholic Beverages

Supremo Cane Vinegar
Big M
Pura UHT Milk

Magnolia in Returnable Glass Bottle
Magnolia Healthtea Lemon
Magnolia Healthtea Apple
Magnolia Fruit Drink Orange
Magnolia Fruit Drink Pineapple
Magnolia Fruit Drink Dalandan
Magnolia Healthtea Tamarind
Magnolia Healthtea Peach
Magnolia in PET Bottle
Magnolia Healthtea Lemon
Magnolia Healthtea Apple
Magnolia Fruit Drink Orange
Magnolia Fruit Drink Pineapple
Magnolia Healthtea Lemon
Magnolia Healthtea Apple
Magnolia Fruit Drink Orange
Magnolia Fruit Drink Pineapple
Magnolia Purewater
Magnolia Powdered Juice & Tea
Magnolia Powdered Juice - Calamansi
Magnolia Powdered Juice - Calamansi
Magnolia Powdered Juice - Orange Mango
Magnolia Powdered Juice - Orange Mango
Magnolia Powdered Juice - Ponkan
Magnolia Powdered Juice - Ponkan
Magnolia Powdered Juice - Lemonade
Magnolia Powdered Juice - Lemonade
Magnolia Powdered Tea - Lemon
Magnolia Powdered Tea - Lemon
Magnolia Powdered Tea - Mango
Magnolia Powdered Tea - Mango
Magnolia Powdered Tea - Apple
Magnolia Powdered Tea - Apple
Magnolia Powdered Milk
Magnolia Powdered Milk - Ube
Magnolia Powdered Milk - Melon
Magnolia Powdered Milk - Green Apple
BERRI (imported for domestic sale)
Apple
Apple Blackcurrant
Apple Pear
Dark Grape
Multi V
Orange
Orange Mango
Morning Start
Apple Cranberry
Cranberry
Grapefruit
Apple
Dark Grape
Orange
Tomato
SUNCATCH (for export sale)
Mango
Mango
Calamansi
Calamansi

San Miguel Foods, Inc.

POULTRY
Wholes

- Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- Magnolia Spring Chicken (Fresh Chilled & Frozen)
- Magnolia Chicken Cut-ups (Fresh Chilled & Frozen)
- Magnolia Chicken Giblets
- Supermanok Fresh Chicken (Fresh Chilled & Frozen)
- Supermanok Chicken Cut-ups (Fresh Chilled & Frozen)
- Housebrands Fresh Chicken & Cut-ups
- Unbranded Fresh Chicken & Cut-ups

Magnolia Chicken Station Products

- Convenient cuts
- Cook-Easy Line

FEEDS
SMFI Animal & Aquatic Feeds

- B-MEG Premium Hog, Layer, Broiler, Duck, Quail, Tilapia, and Bangus Feeds
- B-MEG Dynamix Hog Pellets
- B-MEG Export Hog Pellet & Mash, Layer And Fish Feeds
- Bonanza Hog Pellets
- Pureblend Hog, Layer, Broiler, Duck, and Quail Feeds
- Jumbo Hog Mash
- B-MEG Dry Sow Feeds
- B-MEG Nutrifloat Fish Feeds
- B-MEG Expert Fish Feeds
- B-MEG Derby Ace Premium Game Fowl Feeds
- B-MEG Prize Catch Floating fish Feeds
- B-MEG Aquaration Fish Feeds
- B-MEG CE-90 Shrimp Feeds
- B-MEG Concentrates and Pre-mixes
- Maton Feeds

San Miguel Animal Heath Care

- Antibacterials
- Supplements
- Dewormers
- Disinfectants
- Parenteral

San Miguel Mills, Inc.

FLOUR MILLING
Hard Wheat Flour

- Emperor
- King
- Monarch
- Count
- Pacific
- Silver Dragon

Soft Wheat Flour

- Queen Soft flour
- Countess

- Red Dragon

Specialty Flour
- Baron All-Purpose Flour
- Princess Cake Flour
- Duchess Cake Flour
- Golden Wheat Whole Wheat Flour (Course & Fine)

Customized Flour
- Harina de Pan de Sal
- Royal Premium Noodle Flour
- Prince Noodle Flour
- Hi-Gluten Flour
- Soft Roll Flour
- Siopao Flour
- Miki Flour

Premixes
- Pancake & Waffle Mix
- Brownie Mix
- Cookie Mix
- Muffin Mix
- Siopao Mix
- Doughnut Mix
- Puto Mix
- Pizza Mix
- Crinkle Mix
- Bread Mix
- Spicy Batter Mix
- Choco Cake Mix
- Yeast-Raised Doughnut Mix

Bakery Ingredients
- Zuprim Bread Improver
- Bake Best Baking Powder

BRANDED SNACKS
E-aji Dip Snax
- Fries with Dip (Cheesy Garlic, Sweet Chili, Mayo Ketchup and Peppered Mayo)
- Nachos with Dip (Cheesy Garlic, Fiesta Salsa, Mayo BBQ, Chili Con Carne, Flamin' Hot Salsa, Peppered Mayo and Groovy Mayo Dip)
- Ridges with Dip (Cheddar Cheese and Sweet Chili)
- Nachos Party Pack with Dip (Cheesy Garlic, Salsa, Cheddar Cheese and Chili Con Carne)

E-aji Potato Chips
- E-aji Potato Chips Lightly Salted
- E-aji Potato Chips Fiery Hot BBQ
- E-aji Potato Chips Cheddar Cheese
- E-aji Potato Chips Sour Cream and Chives
- E-aji Potato Chips Party Pack Lightly Salted
- E-aji Potato Chips Party Pack Cheddar Cheese

E-aji Tortilla Chips
- E-aji Tortilla Chips Thin & Light Cheese
- E-aji Tortilla Chips Thin & Light Mexican

- ❑ E-aji Tortilla Chips Thin & Light Pesto
- ❑ E-aji Tortilla Chips Thin & Light Taco

Magnolia Real Good Instant Noodles
- ❑ Mami Chicken Champ
- ❑ Mami Beefy Garlic
- ❑ Mami Beef & Mushroom
- ❑ Pancit Chunky Chicken
- ❑ Party Spaghetti
- ❑ Hearty Vegetables
- ❑ Garlic Chicken Mami
- ❑ Spicy Miki Sotanghon Guisado
- ❑ Classic Miki Sotanghon Guisado

Premixes
- ❑ Magnolia Pancake Plus with Syrup (Maple, Chocolate, Strawberry)
- ❑ Magnolia Pancake & Waffle Mix

Services
- ❑ Product Customization
- ❑ Recipe Development
- ❑ Technical Training in Baking

The Purefoods-Hormel Company, Inc.

REFRIGERATED MEATS
Hotdogs
- ❑ Purefoods Tender Juicy Hotdog (Classic, Cheesedog Balls, Footlong)
- ❑ Purefoods Beefies Hotdog (Classic, Lots a Cheese)
- ❑ Moby Hotdog
- ❑ Magnolia Low Fat Chicken Hotdog
- ❑ Purefoods Chick'N Tasty Chicken Hotdog (Classic, Cheese)
- ❑ Pure Delight Chicken Hotdog
- ❑ Vida Hotdog (Classic, Cheese, Footlong, Balls, Chicken)
- ❑ Purefoods German Franks, Beef Franks and Cheese Franks
- ❑ Manyaman Hotdog
- ❑ Star Hotdog

Sliced Hams
- ❑ Purefoods Sweet Ham
- ❑ Purefoods Cooked Ham
- ❑ Purefoods Ham Selections (Salami, Bologna, Spiced, Sausage, Sweetened and Cheese)
- ❑ Purefoods Pritong Pinoy (Tocino, Tapa, Longanisa, Barbecue, Bistek Tagalog, Batutay, Sweet Longanisa)
- ❑ Vida Sweet Ham
- ❑ Gusto Sliced Ham

Whole Hams
- ❑ Purefoods Fiesta Ham
- ❑ Purefoods Jamon de Bola
- ❑ Purefoods Chicken Ham
- ❑ Purefoods Chinese Ham
- ❑ Purefoods Brick Ham
- ❑ Purefoods Pear Shaped Ham
- ❑ Purefoods Jamon Royale

Bacons

- Purefoods Honey Cured Bacon
- Purefoods Maple Flavored Bacon
- Purefoods Lean N Mean Bacon
- Vida Bacon
- Hormel Bacon

Native and Specialty Lines

- Purefoods Ready-to-Cook products

Ready-to-Cook Magnolia Convenience Line

- Magnolia Chicken Classics Institutional Products
- Magnolia Rotisserie Chicken Battered, Breaded, & Fried
- Magnolia & Purefoods Chicken Products

Street Food Line

- Vida products

Gourmet Meat

- Purefoods
- Hormel

Ready-to-Cook Monterey Line

- Monterey Altanghap, Filipino Favorites & Oriental Lines Snack Line
- Monterey Burger Line
- Purefoods Hamburger Products
- Vida Hamburger & Cheeseburger
- Monterey Hamburger

Cook Easy Products

GROCERY PRODUCTS

Corned Meats

- Purefoods Corned Beef
- Purefoods Chunkee Corned Beef
- Purefoods Carne Norte
- Purefoods Carne Norte Patatas
- Gusto Corned Beef

Luncheon Meats

- Purefoods Luncheon Meat
- Purefoods Chinese Lucheon Meat
- Purefoods Chinese Lucheon Meat with Cheese
- Purefoods Chinese Lucheon Meat Hot & Spicy
- Purefoods Beef Loaf Superior
- Gusto Meat Loaf
- Purefoods Chicken Luncheon Meat
- Hormel SPAM

Sausages

- Purefoods Vienna Sausage
- Purefoods Vienna Tidbits
- Purefoods Chicken Vienna Sausage
- Gusto Sausage
- Gusto Tidbits

- Gusto Frankfurters
- Hormel Vienna Sausage

Canned Beans

- Purefoods Pork & Beans
- Purefoods Corned Beef & Beans
- Purefoods Hotdog & Beans
- Purefoods Chilicon (Regular)
- Purefoods Chilicon Dynamite Hot

Canned Viands

- Purefoods Sizzling Delights Sisig
- Purefoods Mom's Kitchen Dinuguan
- Purefoods Mom's Kitchen Bopis
- Ulam King- Asado
- Ulam King- Caldereta
- Ulam King- Gravy

Specialty Grocery Products

- Purefoods Liver Spread
- Gusto Liver Spread
- Purefoods Spaghetti Meat Sauce
- Purefoods Chorizo Filipino
- Purefoods Chicken Chunks in Water
- Purefoods Chicken Chunks in Vegetable Oil
- Purefoods Chicken Chunks in Brine

Monterey Chicharon

- Monterey Chicharon Salted
- Monterey Chicharon Chili Vinegar

Magnolia, Inc.

BUTTER, MARGARINE & CHEESE

Butter

- Magnolia Gold and Magnolia Gold Lite
- Magnolia Dairy Blend
- Magnolia Spreadable

Refrigerated Margarine

- Dari Crème and Dari Crème Lite
- Dari Crème Blends (Strawberry, Orange)
- Buttercup
- Baker's Best

Non-Refirgerated Margarine

- Star Margarine (Classic, Sweet Blend, Garlic)
- Delicious Margarine

Cheese

- Magnolia Cheezee (Block and Spread)
- Daily Quezo
- Magnolia Quickmelt
- Magnolia Cheddar

- Magnolia Cream Cheese (Block and Spread)
- Magnolia Christmas Cheeseballs (Seasonal)

GEL-BASED SNACKS AND DESSERTS
- JellYace Fruiteez
- JellYace Bites
- JellYace Stixx
- JellYace Ice Ice Jelly
- JellYace Snackers
- JellYace Market Stall Pack
- Magnolia Best Fruits Jam (Strawberry, Pineapple, Apple Cinnamon, Pink Guava, Mango)

MILK
- Magnolia Chocolait
- Magnolia Chocolait Choco Magic
- Fresh Milk
- Low Fat Milk
- Big M (Strawberry, chocolate, Ice Coffee)
- Masters Pura (Fresh Milk)

ICE CREAM
Bulk Ice Cream
- Magnolia Classic (Vanilla, Chocolate, Mocca, Strawberry, Ube, Mango, Sweet Corn)
- Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Dulce de Leche, Creamy Halo-halo, Macapuno Ube Swirl,Quezo Primero, Buko Salad Royale, Choco Chip Cookie Dough and Coffee Vienna)

Frozen Delights
- Magnolia Potong (Ube, Black Glutinous Rice [Pulut Hitam] and Red Monggo)
- Magnolia Spinner (Chocolate, Vanilla)
- Magnolia Pop-a-Cup (Chocolate and Raspberry)
- Magnolia Rainbow Bar
- Magnolia Mochi (Ube and Sesame)
- Magnolia Party Cup (Chocolate, Vanilla, Ube and Mongo)

SPECIALTY OILS
- Magnolia Nutri-Oil Pure Coconut & Palm Vegetable Oil
- Pure-Oil Cooking Oil

Monterey Foods Corporation

BASIC MEATS
Monterey Meatshop
- Fresh Meats- Pork, Beef & Lamb
- Ready-to-Cook Meats (Timplados)

Monty's (Monterey Food-to-Go)
- Pork BBQ Ready to Eat

San Miguel Super Coffeemix Co., Inc.

COFFEE
- San Mig Coffee Regular 3-in-1 Coffeemix- Mild, Original, Strong & Extra Strong
- San Mig Coffee Sugar Free 3-in-1 Coffeemix- Mild, Original, Strong & Extra Strong
- Grandeur Premium 3-in-1 Coffeemix- Original, Hazelnut, Italian Original & Mocha

- San Mig Coffee 100% Premium Instant Black Coffee
- San Mig Coffee Regular 2-in-1 Coffeemix – Mild, Original & Strong
- San Mig Coffee Sugar Free 2-in-1 Coffeemix – Mild, Original & Strong

Great Food Solutions (GFS)

Branded Food Service Products
VALUE-ADDED MEATS/POULTRY

- Primo D' Italian TM Pizza Topping Line
- Sizzlers TM Sausage Links and Patties Line
- Deli Ready TM Sliced Deli Meats Line
- Tender Cuts Tm Product Line
- SPAM Chubs and Slices
- Fast N' Easy Prepared Meals and Cuts
- Purefoods TM Foodservice product line
- Purefoods TM Foodservice Meatballs, Chickenballs, Burgerballs, and Corned Beef Balls
- Magnolia Pritong Manok
- Purefoods TM Corned Beef in Chubs – 1 kg
- Purefoods Corned Beef Blue Label Institutional Corned Beef 800g can
- Purefoods TM Breakfast Sausages
- Purefoods Corned Beef Pandesal
- Product Customization

BUTTER, MARGARINE, CHEESE, and OILS
In Institutional Sizes

- Magnolia Gold Butter
- Dairy Crème Margarine
- Baker's Best Margarine
- Buttercup Margarine
- Magnolia Non-Refrigerated Margarine
- Primex Shortening
- Magnolia Cheese (block fomat)
- Magnolia Cheese Sauce
- Magnolia Mozzarella
- Magnolia Parmesan
- Magnolia Real Mayonnaise
- Magnolia Nutri-Oil and Palm Olein
- Magnolia Quickmelt
- Magnolia Melting Cheese
- Magnolia Cream Cheese Spread

FLOUR and PREMIXES

GFS COMMISSARY PRODUCTS

- Beef, Pork and Chicken Patties
- Breaded, Battered and Fried products
- Ready-to-Eat "Cook Express"
    1. Heat n' Serve
    2. Marinated Value-Added Meats
    3. Ready to Eat Snacks
    4. Sauces and Dips

GFS SERVICES

- Product Customization
- Menu & Recipe Development
- Packing Development
- Food Safety Trainings and Consultancy

- Quality Assurance Services
- Food Laboratory Analysis
- Marketing Services and Promotional Tie-Ups

DISTRIBUTION
- San Miguel Food Shop
- Monterey Neighborhood Meat Shop
- Purefoods Market Shop
- Magnolia Chicken Stations

P.T. San Miguel Pure Foods Indonesia

REFRIGERATED MEATS
Bakso (Meat Balls)
- Farmhouse (Sapi, Ayam)
- Vida (Sapi, Hemat)

Sausages
- Farmhouse (Beef Cocktail, Beef Frankfurter, Beef Weiner, Sosis Sapi, Sosis Ayam)
- Fun Kidz Chubbies
- Gusto (Pork Breakfast Sausage, Pork Cabanosi, Pork Cocktail, Pork Hotdog)
- Purefoods Choice (Bakery Sosis, Beef Weiner)
- Vida (Frank, Weiner)

Cold Cuts
- Farmhouse (Beef Pepperoni, Chicken Roll, Garlic Salami, Smoked Beef, Smoked Chicken)
- Gusto (Cooked Ham, Back Bacon, Gammon Ham, Smoked Ham, Streaky Bacon)
- Purefoods Choice (Chicken Chunk, Kornet, Meat Block, Sosis Sapi, Sosis Ayam, Smoked Beef)

Burger
- Farmhouse (Burger Sapi, Burger Ayam)
- Purefoods Choice (Bakery Burger, Beef Burger)
- Vida (Mini Burger, Burger Sapi, Hemat Sosis, Sosis Sapi, Sosis Ayam, Sosis Goreng)

Value-Added
- Farmhouse (Corned Beef, Ground Beef)
- Fun Kidz Nuggies
- Vida Naget Ayam

SERVICES
- Customization

S M P G P A C K A G I N G P r o d u c t s

Glass

Containers
Glass*Lite* bottles
Molds and Machine Parts

Metal

Crowns
Caps
Two-piece Aluminum Beverage Cans
Coated/ lithographed sheets

Plastics

Crates
Bread and Food Trays
Pallets

- Pallet Lite
- Pallet Plus
- Twin pallet
- Racking System
- Floor Stacking

TUFFMat Plastic Flooring
Poultry flooring
Buckets and Pails

Paper

Corrugated Carton Boxes
HardiBOX Reinforced Cartons
EZ Tear and RipTOP cartons
Gastord Anti-Corrosive Cartons
Mill Run Sheets
Partitions and Pads
Corrugated Trays
Corrugated Paper Pallets and Bulk Bins.
Cartondola Point-of-Purchase Displays
Paperboard
Labels

Composites

Flexibles
Plastic films
Industrial laminates
Envirotuff radiant barrier (trademarked)
Woven bags

PET

PET Preforms
PET Bottles
Caps and handles
PET Regrind Flakes (Food & Non-food grade)

Services

Graphic Design
Contract Packaging
Trading
Crate and Pallet Leasing
PET Bottle Filling
PET Recycling Services
Packaging Development Consultation
Performance Knowledge & Training
Packaging research
Package Testing

SAN MIGUEL FOOD GROUP
MONITORING OF CBAS
As of Dec. 31, 2008

Annex "B"

	INSTALLATION/SCOPE	EXPIRATION	REPRESENTATION	BARGAINING AGENT (UNION) & AFFILIATION	NO. OF MEMBERS
MAGNOLIA INC.					
1	Dailies Union	Feb. 28, 2008	Feb. 28, 2010	Progressive Workers' Union (PWU) IBM Local 47 - KMU	134
2	Monthlies Union	July 31, 2008	July 31, 2011	PDPC Employees Union IBM Local 85 - KMU	76
MONTEREY FARMS CORPORATION					
3	Rank and File Union [Quilo , Alfonso, & Isabela] (3/2)	April 30, 2009	April 30, 2009	Bukluran ng Manggagawa sa Monterey-Ilaw at Buklod ng Manggagawa (BMM-IBM) IBM Local 69 - KMU	74 (D-65,M-9)
4	Senior Employees Union (3/2)	July 31,2010	July 31,2009	Monterey Farms Senior Employees Union-PTGWO	40
5	Meat Plant Employees Union [Dasmariñas, Cavite] (3/2)	Sep. 30, 2008	Sept. 30, 2010	Bukluran ng Manggagawa sa Monterey-Ilaw at Buklod ng Manggagawa (BMM-IBM) Monterey Mea Plt. Loc. 70 -KMU	37 (D-28,M-9)
6	Angat Farm	Dec. 31,2008	Dec. 31,2010	SMPF Monterey Angat Farm Workers' Union-PULO Local No.. 019	55
THE PUREFOODS-HORMEL COMPANY INC.					
7	HO (JMT & Marikina) Purefoods-Hormel Monthlies Union (Sales and Support Staff)	Nov. 30, 2008	Nov. 30, 2009	Purefoods-Hormel Company Administrative Marketing Employees Union (PHCAMEU) - Independent	163 (52-Plant, 111-JMT)
8	Purefoods-Hormel Marikina Blue-Collar Rank-and-File Union (Dailies/Monthlies)	Feb. 28, 2009	Feb. 28, 2010	Nagkakaisang Samahang Manggagawang Purefoods-Hormel Rank and File (NAGSAMA-PHC-PULO)-Independent	222
SAN MIGUEL FOODS INC.					
9	San Fernando MPPP Dailies Union	Mar. 15, 2011	Mar. 15, 2010	SMFI-Magnolia Poultry Processing Plant Workers Union -Independent	115
10	San Fernando Poultry Processing Plt. Monthlies Union	June 30, 2008	June 30, 2012	Magnolia Poultry Processing Plant Monthly Employees Union (MPPPMEU) - PTGWO	58
11	Sta. Rosa Laguna Feed Mill Blue Collar Employees (Dailies/Monthlies) Union	Jan. 31, 2010	Jan. 31, 2010	Kapisanan ng mga Manggagawa sa Purefoods (KAMPU) - PTGWO	26
12	GMA Monthlies Union	June 30, 2010	October 22, 2011	SMFI Employees Union (SMFIEU)-PTGWO	104
13	Sta. Rosa Monthlies Union	June 30, 2010	June 30, 2011	Magnolia Poultry Employees Union-PTGWO	40
14	Cebu Processing Dailies Union	Sep. 30, 2010	Sep. 30, 2010	Iwag sa Baroganan sa Mamumuo (IBM) sa MPPP-Cebu -IBM sa Cebu	36
SAN MIGUEL MILLS, INC.					
15	Mabini Batangas Flour Mill Employees Union (Monthlies/Dailies)	July 31, 2008	July 31, 2007	Purefoods Corporation Flour Mill Employees Union (PFMEU) - Independent	45
				Total	**1,225**

	INSTALLATION / DESCRIPTION	EXPIRATION		UNION	NO. OF MEMBERS
		ECONOMIC	REPRESENTATION		
	SMC YAMAMURA FUSO MOLDS CORPORATION				
1	Monthlies Union	Dec. 31, 2009	Dec. 31, 2008	SMC Yamamura Fuso Molds Monthlies Union - PTGWO	42
	SAN MIGUEL YAMAMURA CORPORATION				
2	SMYPC Main Office- Monthlies	June 30, 2010	June 30, 2012	SMYPC-PTGWO-Main Office**-Local 887**	53
3	*Manila Plastics Plant-Dailies*	June 30, 2010	June 30, 2012	SMYPC-Progressive Union of MPP-IBM	24
4	Manila Plastics Plant-Monthlies	June 30, 2010	Oct. 02, 2012	SMYPC-PTGWO-**Local 888**	59
5	*Manila Glass Plant-Dailies*	June 30, 2010	Feb. 26,2013	Concerned Workers of SMPSI-Manila Glass Plant	129
6	Manila Glass Plant-Monthlies	June 30, 2010	June 30, 2012	SMYPC-PTGWO-**Local 889**	102
7	*Metal Closure & Lithography Plant-Dailies*	June 30, 2010	June 30, 2012	SMPSI-MCLP-Progressive Union-IBM	93
8	Metal Closure & Lithography Plant-Monthlies	June 30, 2010	June 17, 2012	SMYPC-PTGWO-**Local 890**	83
	SAN MIGUEL RENGO PACKAGING CORPORATION				
9	Monthlies Union	Oct. 15, 2010	Oct. 15, 2012	San Miguel Rengo Employees Labor Union - AWATU	102
	MINDANAO CORRUGATED FIBREBOARD INC.				
10	Monthlies Union	Dec. 31, 2010	Dec. 31, 2012	Mincorr Independent Workers Union (MIWU)	42
	SAN MIGUEL PACKAGING SPECIALISTS, INC.- CANLUBANG PET & CAPS PLANT				
11	Monthlies Union	Dec. 31, 2010	Dec. 31, 2012	SAMAHAN ng MALAYANG MANGGAGAWA sa BPSI-Can	36
	SMY BALL CORPORATION				
12	Monthlies Union	Dec. 31, 2010	Dec. 31, 2009	Kristiyanong Organisasyon ng Manggagawa sa San Miguel Yamamura Ball Corporation (Kristong Manggagawa-SMYBC) - Inc.	82
	SMC YAMAMURA ASIA CORPORATION				
13	Monthlies Union	Dec. 31, 2010	Dec. 31, 2013	Buo Organisadong Samahan ng Empleyado sa SMYAC-Independent (BOSES-SMYAC)	218
	RIGHTPAK INTERNATIONAL CORPORATION				
14	Monthlies Union	May 31, 2011	May 31, 2012	Rightpak Employees Union-PTGWO	128
	SMYPC-MANDAUE PACKAGING PLANTS (Glass, MCLP,Power)				
15	Dailies Union	Dec. 31, 2011	Dec. 31, 2010	Kahugpong Sa Ligdong Mamumuo-SMPSI Mandaue (KLM-SMPSI Mandaue)	166
				TOTAL	**1,359**

SMG CBAs

as of March 31, 2009

	INSTALLATION / DESCRIPTION	EXPIRATION		UNION	NO. OF MEMBERS
		ECONOMIC	REPRESENTATION		
SAN MIGUEL BREWERY INC.					
1	GMA Dailies Union - (CSU/SMB)	June 30, 2010	June 30, 2009	Ilaw at Buklod ng Manggagawa (IBM) - SMC Chapter (IBM-SMC Chapter)	248
2	GMA Monthlies Union (CSU/SMB)	June 30, 2010	June 30, 2009	SMC Employees Union (SMCEU) - PTGWO	196
3	San Fernando Brewery Monthlies Union	Dec. 31, 2010	Dec. 31, 2009	San Fernando Complex Monthly-Paid Emp. Union IBM No. 48	108
4	GMA Sales Force Union	Jan. 31, 2011	Jan. 31, 2010	New San Miguel Corporation Sales Force Union	64
5	San Fernando Brewery Dailies Union	Feb. 15, 2011	Feb. 15, 2010	Ilaw at Buklod ng Manggagawa (IBM) Local No. 42-San Fernando Beer Bottling Plant Chapter	297
6	Mandaue Dailies Union - SMB	Dec. 31, 2011	Dec. 31, 2010	Ilaw at Buklod ng Manggagawa (IBM)-Mandaue	140
7	Cebu Sales Force Union	Feb. 15, 2009	Feb. 15, 2011	New SMC Sales Force Union - Cebu	11
8	Davao Brewery Dailies Union	Nov. 30, 2009	Nov. 30, 2012	San Miguel Davao Brewery Employees Independent Union	76
9	Bacolod Brewery Dailies Union	July 31, 2010	April 27, 2009	San Miguel Bacolod Brewery Employees Union-Independent	65
10	Bacolod Brewery Monthlies Union	Oct. 31, 2010	Oct. 31, 2013	Phil. Agricultural, Commercial and Industrial Workers Union	46
					1,251

SMG CBAs

as of March 31, 2009

INSTALLATION / DESCRIPTION		EXPIRATION		UNION	NO. OF MEMBERS
		ECONOMIC	REPRESENTATION		
SAN MIGUEL CORPORATION					
1	GMA Monthlies Union (CSU)	June 30, 2010	June 30, 2009	SMC Employees Union (SMCEU) - PTGWO	29
SMC SHIPPING AND LIGHTERAGE					
1	SMCSL Daily Paid Employees	15-Dec-08	15-Dec-11	SMC Wharf Shipping and Lighterage Independent	16
				TOTAL	**45**

INSTALLATION / DESCRIPTION		EXPIRATION		UNION	NO. OF MEMBERS
		ECONOMIC	REPRESENTATION		
GINEBRA SAN MIGUEL INC.					
23	Cabuyao Dailies Union	Jan. 31, 2007	Jan. 31, 2003	Nagkakaisang Lakas Manggagawa ng LTDI (Cabuyao Plant) - Independent Union	39
24	Mandaue Dailies Union	April 30, 2007	April 30, 2007	Free Workers Association (Freewas) Daily(Cebu)	21
25	Lucena Monthly-Paid Employees Union	Jan. 31, 2008	Jan. 31, 2006	Nagkakaisang Manggagawa ng LTDI-CIO-ALU(SBP Dailies)	46
26	Sta. Barbara Dailies Union	Mar. 31, 2008	Mar. 31, 2006	La Tondena Distillers Inc. Workers Union - Independent(SBP Monthlies)	18
27	Sta. Barbara Monthlies Union	April 30, 2008	April 30, 2006	CIO-ALU Distileria Bago Employees Union Chapter(DBI)	59
28	Distileria Bago Inc. Monthlies Union			**TOTAL**	**183**
29	Lucena Daily-Paid Emp. Union			**NO. OF UNIONS**	**5**

Description of Property **ANNEX "C"**

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
Beverage				
1	San Miguel Brewery Inc.			
	Polo Brewery	Marulas McArthur High-way Valenzuela City	Owned	Good
	San Fernando Brewery	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Mandaue Brewery	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	Owned	Good
	Bacolod Brewery	Sta. Fe, Bacolod City	Owned	Good
	Davao Brewery	Darong, Sta. Cruz, Davao del Sur	Owned	Good
	Warehouse – Supply Center			
	GMA – South	Pureza S. O, ; Pureza, Sampaloc District, Manila	Owned	Good
	GMA – South	M. Carreon St. Sta Ana, Manila	Owned	Good
	GMA – South	Pananaque S. O, ; Bernabe Subd., San Dinisio, Sucat, Paranaque City	Owned	Good
	GMA – North	Cubao S. O. ; 20th Ave., Cubao Q. C.	Owned	Good
	GMA – South	Taytay S. O. ; East Road, Taytay, Rizal	Owned	Good
	GMA – East	Pasig S.O. ; Mercedes Ave., Pasig	Rented	Good
	GMA – N. West	Caloocan S.O. ; Asistio., Bo. Biglang Awa, Caloocan City	Owned	Good
	GMA – N. West	Tondo S. O. ; Honorio Lopez St., Tondo Manila	Owned	Good
	GMA – North	Valenzuela S. O. ; Plastic City	Rented	Good
	GMA – North	Novaliches S.O. ; Bo. Kaligayahan, Quirino Highway	Rented	Good
	CNLA – NCL	Dagupan S.O. ; Caranglaan Dist., Dagupan City	Owned	Good
	CNLA – NCL	Carmen S.O.; Carmen East, Rosales, Pangasinan	Owned	Good
	GMA – North	San Isidro S.O.; Gapan-Olongapo Rd.,Pob. S. Isidro,N.E.	Owned	Good
	CNLA – ECL	Cabanatuan S.O.; Maharlika Rd.,Bitas, Cabanatuan	Rented	Good
	CNLA – ECL	Guiguinto S.O.Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good
	CNLA – ECL	Angeles S.O.; S. Jacinto St., S.Angelo Subd.Angeles City	Owned	Good
	CNLA – Ilocos	San Nicolas Region Office Bgy. Catuguing, San Nicolas Ilocos Norte	Owned	Good
	CNLA – Cordillera	Carlatan S.O.; Madayegdeg, San Fernando,La Union	Owned	Good
	CNLA – Cordillera	Baguio S.O.; Irisan, Baguio City	Owned	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	CNLA – Ilocos	Candon Whse, Tablac, Candon, Ilocos Sur	Owned – leased to dealer	Good
	CNLA – Cag. Valley	Cauayan S.O.; Nat'l Highway, S.Fermin, Cauayan; Isabela	Owned	Good
	CNLA – Cag. Valley	Santiago S.O.; Mabini, Santiago, Isabela	Owned	Good
	CNLA – Cag. Valley	Lal-lo S.O., Sta. Maria, Lal-lo, Cagayan	Owned – leased to dealer	Good
	SLA – Laguna	Canlubang S.O.; Silangan Industrial Park, Canlubang; Laguna	Owned	Good
	SLA – Laguna	San Pedro S.O.; 106 Mabini St., National Highway, San Pedro, Laguna	Rented	Good
	SLA – Laguna	Sta. Cruz S.O.; Bgy. Pagsawitan, Sta. Cruz; Laguna	Rented	Good
	SLA – Quezon	Lucena S.O. ; Bgy. Isabang, Lucena City	Owned	Good
	SLA – Quezon	Gumaca S.O.; Natl. Hi-way,Villa Bota, Gumaca, Quezon	Owned	Good
	SLA – Batangas	Batangas S.O.; Bo. Balagtas, Batangas City	Owned	Good
	SLA – Batangas	Balayan Whse.; Bo. Lanatan, Balayan Batangas (Leased to Dealer)	Lot Rented, Bldg. Constructed by SMC	Good
	SLA – Batangas	Lipa S.O.; Ayala Hi-way, Lipa City, Batangas	Owned – leased to dealer	Good
	SLA – Cavite	Bacoor S.O.; BINHEPCO Cmpd,Tirona Hi-way, Cavite	Rented	Good
	SLA – Cavite	Dasmarinas S. O.	Rented	Good
	SLA – STIP	Puerto Princesa S.O.	Owned – leased to dealer	Good
	SLA – STIP	San Jose, Occidental Mindoro	Owned – leased to dealer	Good
	SLA – SBicol	Gotladera St., Zone 2, Bulan, Sorsogon	Rented	Good
	SLA – NBicol	Naga S.O.; Concepcion Grande, Naga City	Owned	Good
	SLA – SBicol	Legaspi S.O.; Cogon St., Bgy. Cruzada, Legaspi City, Bicol	Rented	Good
	SLA – SBicol	Masbate S.O.; Matungao,Tugbo, Masbate	Rented	Good
	Visayas – CVNSO	Mandaue S.O.; Mandaue Complex, Mandaue City	Owned	Good
	Visayas – CVSSO	Tagbilaran S.O.; CPG Ave., Tagbilaran, Bohol	Rented	Good
	Visayas – EVSO	Tacloban S.O.Fatima Vill., Tacloban City, Leyte	Owned	Good
	Visayas – Panay	Pavia-Solid Manila Bldg., Diversion Road, Bgy. San Rafael, Mandurriao, Iloilo	Rented	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Visayas – Panay	Numancia S.O.; Camansi Norte, Numancia ; Aklan	Owned	Good
	Visayas – Panay	Roxas S.O.; Bo. Libas, Roxas City	Owned	Good
	Visayas – WV Metro	Iloilo S.O.; Muelle Loney, Iloilo	Owned	Good
	Visayas – WV Metro	Bacolod S.O.; Bacolod Brewery, Bacolod	Owned	Good
	Visayas – Negros	Sum-Ag Warehouse; Bgy. Sum-Ag, Bacolod City	Owned	Good
	Visayas – Negros	Himamaylan S.O.; Himamaylan, Negros Occidental	Owned	Good
	Visayas – Negros	Dumaguete S.O.; W.Rovira Rd.,Pulantubig,Dumaguete City	Rented	Good
	Mind – Caraga	Butuan S.O.; Fort Poyohan, Butuan City	Owned	Good
	Mind – Caraga	Tandag S.O. Sema St. Bgy., Bongtod, Tandag City, Surigao del Sur	Owned	Good
	Mind – Cotabato Prov	Gen. Santos S.O.; Lagao Road, South Cotabato	Owned	Good
	Mind – Cotabato Prov	Marbel, Koronadal City (Leased to Dealer)	Owned	Good
	Mind – Davao Prov	Davao S.O.; Ulas, Davao City	Owned	Good
	Mind – Davao Prov	Tagum S.O.; National Highway,Tagum City (Leased to Dealer)	Owned	Good
	Mind – North Mindanao	Opol S.O.; Opol, Cagayan de Oro City	Owned	Good
	Mind – North West	Iligan S.O.; Sta. Filomena, Iligan City	Rented	Good
	Mind – North West	Ozamis S.O.; Elim Compound, Lam-an, Ozamis City	Rented	Good
	Mind – North West	Dipolog S.O., Sta. Filomena, Dipolog City	Rented	Good
	Mind – Cenmin	Digos, Rizal St., Digos City	Owned	Good
	Mind – Zambo-Sulu	Liloy S.O.; Poblacion Liloy,Zamboanga del Norte	Rented	Good
	Mind – Zambo-Sulu	Zamboanga S.O.; Baliwasan Drive, Zamboanga City	Owned	Good
2	San Miguel Brewery Hong Kong Ltd.	Yuen Long Industrial Estate, New Territories, Hong Kong	Owned	Good
4	San Miguel (Baoding) Brewery Company Ltd.	Jiangcheng Road, Baoding City, Hebei Province, PRC	Owned	Good
5	San Miguel (Guangdong) Brewery Co., Ltd.	Renmin Road, Longjang Town, Shunde, Guandong, PRC	Owned	Good
6	PT Delta Djakarta Tbk	Inspeksi Tarum Barat, Bekasi Timur, Indonesia	Owned	Good
7	San Miguel Brewery Vietnam Company Ltd.	Suoi Hiep Hamlet, Dien Khanh Dist., Khanh Hoa Province, Vietnam	Owned	Good
	San Miguel Beer (Thailand) Limited	89 Moo 2 Tivanon Road, Tambol Bann-Mai, Amphur, Muang, Pathumthani, Thailand 12000	Owned	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
8	J. Boag & Sons Limited	21 Shields Street, Launceston, Tasmania, Australia	Owned	Good
10	Ginebra San Miguel, Inc			
	Canlubang	Silangan Industrial Estate, Bgy Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good
	Lucena	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Good
	Sta. Barbara	Tebag West, Sta. Barbara, Pangasinan	Owned	Good
	Cebu	Subandaku, Mandaue City, Cebu	Owned	Good
	Distileria Bago, Inc. (Alcohol Distillery)	Km 13.5 Bgy. Taloc, Bago City, Negros Occidental	Owned	Good
Packaging				
1	SAN MIGUEL YAMAMURA PACKAGING CORPORATION			
	Main Offie	SMPC Bldg., St. Francis Ave., Ortigas	Rented	Good
	SMYPC Rightpak Plant	Canlubang Industrial Estate, Canlubang, Laguna	SMC Owned	Good
	SMYPC Metal Container Plant	Bgy. San Francisco de Malabon, Gen. Trias, 4107 Cavite	SMYPC Owned	Good
	SMYPC Cebu Bev. Packaging Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMYPC Davao Bev. Packaging Plant	SMC Complex, Darong, Sta. Cruz, Davao City	SMC Owned	Good
	SMYPC San Fernando Bev. Packaging Plant	Barangay Maimpis, City of San Fernando, Pampanga (Gate 2, SMC Pet Plant)	SMYPC Owned	Good
	SMYPC Pet Recycling Plant	SMC San Fernando Complex, Quebiauan, San Fernando City	SMC Owned	Good
	SMYPC Canlubang PET & Caps Plant	Canlubang Industrial Estate, Canlubang, Laguna	SMC Owned	Good
	SMYPC Manila Glass Plant	Muelle dela Industria St., Binondo Manila	SMC Owned	Good
	SMYPC Manila Plastics Plant	Tomas Claudio St., Beata, Pandacan, Manila	SMC Owned	Good
	SMYPC MCLP Canlubang	Silang Canlubang Industrial Park, Canlubang Laguna	SMC Owned	Good
	SMYPC MCLP San Fernando	SMC San Fernando Complex, Quebiauan, San Fernando City	SMC Owned	Good
	SMYPC Mandaue Glass Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMYPC MCLP Mandaue	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMYPC Mandaue Plastics Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
	SMYPC Trading	SMPC Bldg., St. Francis Ave., Ortigas	Rented	Good
	SMYPC Contract Packaging	SMPC Bldg., St. Francis Ave., Ortigas	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
2	San Miguel Yamamura Asia Corporation	Km 12, Aguinaldo Highway, Imus, Cavite	Owned	Good
3	San Miguel Yamamura Fuso Mold Corp.	Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite	Owned	Good
4	San Miguel Rengo Packaging Corporation	Dr. A Santos Avenue, Sucat, Parañaque City	Owned	Good
5	Mindanao Corrugated Fibreboard Inc.	Km 12 Sasa, Davao City	Owned	Good
6	Mandaue Power Plant	SMC Mandaue Complex, Hi-way, Mandaue City, Cebu	SMC Owned	Good
7	Zhaoqing San Miguel Glass Company Ltd.	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC	Land Use Rights	Good
8	Foshan San Miguel Packaging Company Ltd.	9 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good
9	PT San Miguel Sampoerna Packaging Industries Ltd.	Jalan Jababeka V 42-43, Kawasan Industri Jababeka, Cikarang, Bekasi 17530, Indonesia	Land Use Rights	Good
10	San Miguel Yamamura Haiphong Glass Company Ltd.	17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam	Land Use Rights	Good
11	San Miguel Phu Tho Packaging Company Ltd.	152 Lac Long St., District 11, Ho Chi Minh City, Vietnam	Land Use Rights	Good
12	San Miguel Plastics Films Sdn. Bhd.	No. 172, Jalan Usaha 5, lots 83, 84, 85, 75, 76 Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia.	Land Lease Rights	Good
13	San Miguel Packaging and Printing Sdn Bhd. - Converting plant - Duplex plant	 Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Salangor Darul Ehsan, Malaysia Lot 9, Jalan Perusahaan Empat, Tapak Perindustrian P.K.N.S., 68100Batu Caves, Selangor Darul Ehsan, Malaysia	 Owned Rented	 Good Good
14	San Miguel Woven Products Sdn. Bhd.	Lot 9 and 10, Ayer Keroh Industrial Estate, Jalan Usuha 4, 75450 Melaka, Malaysia	Land Lease Rights	Good
15	Packaging Research Centre Sdn. Bhd.	Lot 5078 and 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan,Malaysia	Owned	Good
16	San Miguel Yamamura Packaging International Ltd.	9/F Citimark Building, 28 Yuen Shun Circuit, Diu Lek Yuen, Shatin, N.T. Hongkong	Rented	Good
Foods				
1	San Miguel Purefoods (Vietnam) Co., Ltd.	Cau Sat Hamlet, Lai Hung Village, Ben Cat District, Binh Duong Province, Vietnam	Bldg. - Owned Land - Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
2	Tien Giang Sales Office	Phuoc Hoa Hamlet, Phuoc Thanh Village, Chau Thanh District, Tien Giang Province, Vietnam	Warehouse and Land Rented	Good
3	Dong Nai Sales Office	39/2 An Hoa Hamlet, Tay Hoa Village, Trang Bom District, Dong Nai Province, Vietnam	Warehouse and Land Rented	Good
4	Can Tho Sales Office	60 High Way 1, Ba Lang Ward, Cai Rang Distric, Can Tho Province, Vietnam	Warehouse and Land Rented	Good
5	Long An Sales Office	73 High Way 1A, 1 Hamlet, My Yen Village, Ben Luc District, Long An Province, Vietnam	Warehouse and Land Rented	Good
6	Lam Dong Sales Office	1023, Tran Phu Road, Loc Tien Ward, Bao Loc Lam Dong Province, Vietnam	Warehouse and Land Rented	Good
7	San Miguel Pure Foods Company Inc. and Subsidiaries			
	JMT Corporate Condominium Building	ADB Avenue, Ortigas Center, Pasig City	Owned	Good
	Feeds & Poultry Iloilo Office	Melliza St., Iloilo City	Owned	Good
	Processed Meats Marikina Plant	Bo. San Roque, Marikina City	Owned	Good
	Processed Meats Cavite Plant	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good
	Mabini Flourmill	Brgy. Bulacan, Mabini, Batangas	Owned	Good
	Tabangao Flourmill	Brgy. Tabangao, Batangas City	Owned	Good
	Pampanga Poultry Dressing Plant	SMC Complex, Bo. Quebiawan, San Fernando, Pampanga	Owned	Good
	Cabuyao Poultry Dressing Plant	Cabuyao, Laguna	Owned	Idle
	Cebu Poultry Dressing Plant	Brgy. Canduman, Mandaue City	Owned	Good
	Davao Poultry Dressing Plant	Toril, Sirawan, Davao City	Owned	Good
	Feeds Spent Drying Plant	San Fernando, Pampanga	Owned	Good
	Laguna Feedmill	Brgy. Malitlit, Sta. Rosa, Laguna	Owned	Good
	Tarlac Feedmill	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good
	B-Meg Pangasinan Plant	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Lot Owned by Ginebra San Miguel, Inc.	Good
	General Santos Feedmill	Bo. Calumpang, Gen. Santos City	Owned	Good
	Isabela Feedmill	Bo. Soyung, Echague, Isabela	Owned	Good
	Bataan Feedmill	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Owned	Good
	Feeds Spent Grain Drying Plant	SMC Complex, Highway, Mandaue City	Owned	Good
	Cagayan de Oro Feedmill	Brgy. Baloy, Tablon, Cagayan de Oro City	Rented Lot	Good
	Bukidnon Feedmill	Milmar Cpmd., Impalutao, Impasug-ong, Bukidnon	Owned	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Magnolia Plant	Bo. De Fuego Governor's Drive, Gen. Trias, Cavite	Owned	Good
	Monterey Meat Plant	Governor's Drive, Dasmariñas, Cavite	Owned	Good
	Processed Meats Indonesia Plant	Jl. Raya Bogor Km. 37 Sukamaju, Sukmajaya, Indonesia	Owned	Good
	Calamba Hatchery	Brgy. Licheria, Calamba City	Owned	Good
	Poultry Breeding Farm	San Rafael, San Pablo City	Owned	Idle
	Bulacan Hatchery	Km. 37, Pulong Buhangin, Sta, Maria, Bulacan	Owned	Good
	Grandparent Hatchery	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good
	Calauan Experimental Farms	SMC Cmpd., Brgy. Mabacan, Calauan, Laguna	Owned	Good
	Angat Hog Farm	Pulong Yantok Angat, Bulacan	Owned	Good
	Alfonso Hog Farm	Buck Estate, Alfonso, Cavite	Owned	Good
	Calamias Hog Farm	Calamias, Ibaan, Batangas	Owned	Good
	Lipa Hog Farm	San Jose East, Lipa, Batangas	Owned	Good
	Quilo Hog Farm	Lot No. 2489, Quilo, Ibaan, Batangas	Owned	Good
	Sta. Maria Hog Farm	Guyong, Sta. Maria, Bulacan	Owned	Good
	Isabela Cattle Farm	Bo. San Lius, Cauayan, Isabela	Owned	Good
	Polomolok Cattle Farm	Silway 8, Polomolok, South Cotabato	Owned	Good
	Processed Meats Fairview Cold Storage	Consul St., cor Carmel St., District 2, North Fairview, Quezon City	Owned	Good
	Otis Warehouse	Otis, Pandacan, Manila	Owned	Good
	Great Food Solutions Commissary	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	SMFI Admin Office (TDR Inc.)	JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Rented	Good
	San Miguel Food Group Admin Office Magnolia Head Office	SMFG Cmpd., Legaspi cor Eagle St., Ugong, Pasig City	Lot Owned by San Miguel Corporation	Good
	San Miguel Food Group Purchasing Office	808 Bldg., No. 8 San Antonio Gate 2, Meralco Ave, Ortigas, Pasig City	Rented	Good
	Food Group Consolidated Warehouse	F. Legaspi St., Maybunga, Pasig City	Rented	Good
	Poultry Pangasinan	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
	Poultry Isabela	Brgy. Rizal, Santiago City, Isabela	Rented	Good
	Poultry Zambales	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
	Poultry VAO Office	Emmanuel SJB Dev't., San Isidro, Cabuyao, Laguna	Rented	Good
	MIPC Office	114 East Science Drive, Laguna Techno Park, Binan, Laguna	Rented	Good
	Poultry Laguna Office	3F, Sta. Cecilia Bus. Center, Parian, Calamba City	Rented	Good
	Poultry Quezon	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Poultry Albay	Brgy. Anislag, Daraga, Albay	Rented	Good
	Poultry Bohol	Albur Dressing Plant, Eastern Poblacion, Alburquerque, Bohol	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Poultry Bacolod	Daalco IV Bldg., Singcang, Araneta St., Bacolod City	Rented	Good
	Poultry Dumaguete	Magatas, Sibulan, Negros Oriental	Rented	Good
	Poultry Tacloban	Wab Traders Corp., Brgy. Abucay, Tacloban City	Rented	Good
	Poultry Cebu	6th Flr. Cleotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good
	Poultry Ormoc	Door 4, 2nd Flr., Tan Bldg., Lilia Ave., Cogon, Ormoc	Rented	Good
	Poultry Davao	Coaco Road, Sasa, Davao City	Rented	Good
	Poultry Zamboanga	Door #2, Nuño Bldg., MCLL Highway, Guiwan, Zamboanga City	Rented	Good
	Poultry Cagayan de Oro	Dacudao Cmpd, Corrales Ext. Cagayan de Oro City	Rented	Good
	Poultry Ozamis	Mailen, Clarin, Misamis Occidental	Rented	Good
	Poultry Butuan	Km 9, Tag-ibo, Butuan City	Rented	Good
	Feeds Cebu Office	1st Flr, GSMI Bldg., Subangdaku, Mandaue City, Cebu	Rented	Good
	Bacolod Feeds Sales Office	JA Building, San Patrico, Banago, Bacolod City	Rented	Good
	Feeds Cagayan de Oro Sales Office	HBL Bldg., Gusa, Cagayan de Oro City	Rented	Good
	Feeds Bukidnon Office	Malaybalay, Bukidnon	Rented	Good
	Feeds Butuan Sales Office	Brgy. 23, Langihan Road, Butuan City	Rented	Good
	Feeds Ozamis Sales Office	Elim Cmpd, Lam-an, Ozamis City	Rented	Good
	Flour Libis Warehouse	Mercury Avenue, Libis, Q. C.	Rented	Good
	Flour Bulacan Warehouse	Sta. Rita, Guiginto, Bulacan	Rented	Good
	Prifoods Corporation (Snacks)	Brgy. Paciano, Calamba, Laguna	Rented	Good
	San Miguel Properties, inc.	Pines cor Reliance St. , Brgy. Highway Hills, Mandaluyong	Rented	Good
	Tacoma (Feeds)	Port Area, Manila	Rented	Good
	RIDJO (Feeds)	Judge Juan Luna St., San Francisco Del Monte, Quezon City	Rented	Good
	PNOC (Feeds)	Bauan, Batangas	Rented	Good
	Nawaco (Feeds)	Port Area, Manila	Rented	Good
	NFA Isabela Warehouse (Feeds)	Northern Philippines Grains Complex, Echague, Isabela	Rented	Good
	Lucky 103 Realty Corp. (Feeds)	Pulilan, Bulacan	Rented	Good
	Fieldman Warehouse (Feeds)	Brgy. Poblacion, Bacnotan, La Union	Rented	Good
	Gordon Agritech (Feeds)	Carmen, Pangasinan	Rented	Good
	Kenwood Warehouse	San Vicente, San Jacinto, Pangasinan	Rented	Good
	NFA San Manuel Warehouse	San Manuel, Pangasinan	Rented	Good
	Jimmy Sim	Rosales, Pangasinan	Rented	Good
	Corfarm 1&2	Umingan, Pangasinan	Rented	Good
	Bautista Warehous	Bautista Pangasinan	Rented	Good
	CBP Rice Mill	Manaogan , Bautista, Tarlac City	Rented	Good
	Juan Mataragno	San Juan, Bautista, Tarlac City	Rented	Good
	Golden Mountain	San Juan, Bautista, Tarlac City	Rented	Good
	Morning star warehouse	Brgy. Rizal, Moncada, Tarlac	Rented	Good

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
YKK Warehouse	Mabini, Moncada, Tarlac	Rented	Good
Warrensburg Warehouse	Mariveles, Bataan	Rented	Good
UGMC Warehouses	Cabatuan, Isabela	Rented	Good
CLU Warehouses	Cabatuan, Isabela	Rented	Good
Richfield San Mateo	San Mateo, Isabela	Rented	Good
E&G Warehouse	Ramon, Isabela	Rented	Good
MCAR Warehouse (Feeds)	Bacnotan, La Union	Rented	Good
Malitlit Warehouse	Brgy. Malitlit, Sta. Rosa Laguna	Rented	Good
Alejo Sim (Feeds)	Pangasinan	Rented	Good
William Sim (Feeds)	Urdaneta, Pangasinan	Rented	Good
PKS Shipping (Feeds)	Sitio Tawagan, Consolacion, Cebu	Rented	Good
San Miguel Shipping and Lighterage (Feeds)	Looc, Mandaue City, Cebu	Rented	Good
Rocksun Warehouse (Feeds)	Marasbaras, Tacloban City	Rented	Good
Bacolod Warehouse B (Feeds)	JA Building, San Patricio, Banago, Bacolod City	Rented	Good
SIAIAN Warehouse (Feeds)	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good
Bassett Land, Inc. (Feeds)	Sitio Tawagan, Consolacion, Cebu	Rented	Good
LMDC Warehouse	Tayud, Consolacion Cebu		
BUHAYCO (Feeds)	Puntod, Cagayan de Oro City	Rented	Good
KIMWA Warehouse (Feeds)	KIMWA Const. & Dev't Corp Baloy, Cagayan de Oro City	Rented	Good
MITIMCO Warehouse (Feeds)	Mitimco Compound, Baloy, Cagayan de Oro City	Rented	Good
CATIMCO Warehouse (Feeds)	Puntod, Cagayan de Oro City	Rented	Good
BUDEX (Feeds)	Bangcud, Malaybalay	Rented	Good
Western Feedmill Warehouse (Feeds)	Coaco Road, Sasa, Davao City	Rented	Good
Southern Philippine Coco Charcoal Green Warehouse (Feeds)	Coaco Road, Sasa, Davao City	Rented	Good
Pioneer warehouse	Coaco Road, Pampanga, Sasa, Davao	Rented	Good
LSL Multi-Serve Company	Km 8 Pareñas Compound, Diversion Road, Buhangin, Davao	Rented	Good
Greenhills Milling Corporation	MCLL Highway, Culianan, Zamboanga City	Rented	Good
Rojo Warehouse	Sta. Catalinga, Zamboanga City	Rented	Good
Lipa Office (Monterey)	Lipa, Batangas	Rented	Good
Pampanga Livestock Selling Station (Monterey	Sta. Barbara, Bacolor, Pampanga	Rented	Good
Batangas Livestock Selling Station	Brgy. San Felix., Sto. Tomas, Batangas	Rented	Good
Tacloban Office (Monterey)	17 Justic Romualdez, Tacloban City	Rented	Good
Mandaue Office (Monterey)	SFI Bldg., S. E. Jayme St., Pakna-an, Mandaue City	Rented	Good
Bukidnon Live Operations Office (Monterey)	Propia St., Malaybalay City	Rented	Good
Cebu (Great Food Solutions office)	SMDCI Bldg., SMC Complex, Highway, Mandaue City	Rented	Good
Davao (Great Food Solutions office)	Coaco Road, Bo. Pampanga, Sasa, Davao City	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Bandung Office (PT SMPF Indonesia)	Jl Sukarno Hatta No 606 Bandung	Rented	Good
	Surabaya Office (PT SMPF Indonesia)	Perumahan Citra Harmoni Block C1 Bi.25 Troso Bo Jawa Timur Surabaya	Rented	Good
	Yogyakarta Office (PT SMPF Indonesia)	Jl. Angga II Gang Merak No. 219A Condang Catur Slemos Yogyakarta	Rented	Good
	Bali Office (PT SMPF Indonesia)	Jl Mertasari No 61 Sawung Beton Kendal Sidakarya Bali	Rented	Good
	Medan Office (PT SMPF Indonesia)	Jl. Tirtosari No 102 B, Kel Bantan, Kec Tembung, Medan	Rented	Good
	Makasar Office (PT SMPF Indonesia)	Jl. Anggrek I Block EA No 17, Nusa Tomdarea Indah Makassar	Rented	Good
	Tiga Raksa Satria	Jl Soekarno Hatta No 606 Bandung		
	PT Hagajaya Kemasindo Sarana (PT SMPF Indonesia)	Graha Cempaka Block C28, Jl Letjend Suprapto, Jakarta Selatan	Rented	Good
	A. Raqub Salim (PT SMPF Indonesia)	Jl. Mertasari No 61 Sawung Beton Kendal Sidakarya Bali	Rented	Good
	UD Sari Jaya (PT SMPF Indonesia)	Jl. Tirtosari No 102 B, Kel Bantan, Kec Tembung, Medan	Rented	Good
	Angin Selatan (PT SMPF Indonesia)	Jl. Prof. Ir. Sutami No. 46-55 Makasar	Rented	Good
	PT. Sewu Segar Nusantara (PT SMPF Indonesia)	Jl. Beringin Bendo Kawasan Industri Ragam II Kav. 8 RT 06/09 Taman Sepayang Surabaya	Rented	Good
	Joko P (PT SMPF Indonesia)	Jl. Ring Road Utara Pandega Patma DP 16D Yogyakarto	Rented	Good
	Staples Food Corporation (Poultry)	Navotas, Metro Manila	Rented	Good
	Diaz Dressing Plant (Poultry)	Km. 104, Brgy. Tabuating, San Leonardo, Nueva Ecija	Rented	Good
	Kenwood Construction (Poultry)	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good
	Lolim's Dressing Plant (Poultry)	Brgy. Rabon, Rosario, La Union	Rented	Good
	Cheers Trade Star, Inc. (Poultry)	Brgy. Rizal. Santiago City, Isabela	Rented	Good
	New Breed Dressing Plant (Poultry)	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good
	Reitoh Cold Storage, Inc. (Poultry)	Km. 30 Amante St., San Pedro, Laguna	Rented	Good
	Johanna's Chicken Proc. Center (Poultry)	Brgy. Bocohan, Lucena City	Rented	Good
	IP3 (Poultry)	Brgy. Lagalag, Tiaong, Quezon	Rented	Good
	Cariño & Sons Agri-Dev't Inc. (Poultry)	Brgy. Aya, San Jose, Batangas	Rented	Good
	Gallintina Ind Corp (Poultry)	GIC Compound, Brgy. Tagbong Pili, Camarines Sur	Rented	Good
	Palmas Agri Bus Inc. (Poultry)	Brgy. Anislag, Daraga, Albay	Rented	Good
	Silangan Poultry Farms (Poultry)	San Jose, Lipa City	Rented	Good
	MKC Poultry Dressing Plant (Poultry)	Brgy. Tagburos, Puerto Princesa City, Palawan	Rented	Good
	Technofreeze, Inc.	114 East Science Drive, Laguna Technopark, Binan, Laguna		
	AOG Enterprises (Poultry)	Sitio Canmingming, Brgy. Valencia, Ormoc City	Rented	Good
	Albur Dressing Plant (Poultry)	Eastern Poblacion, Alburquerque, Bohol	Rented	Good
	Poultry Bacolod (1)	Singko de Nyubembre St., Silay City, Negros Occidental	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	First Farmers Foods Corp. (Poultry)	Brgy. Dos Hermanos, Talisay City, Neg. Occidental	Rented	Good
	Iloilo (Poultry)	Brgy. Tungay, Sta. Barbara, Iloilo		
	DCTV Network (Poultry)	Riverside, Canduman, Mandaue City, Cebu	Rented	Good
	Big Blue (Poultry)	Brgy. Paknaan, Mandaue City, Cebu		
	Mincool (Poultry)	Dacudao Cmpd., Corrales Ext., Cagayan de Oro City	Rented	Good
	ZAVI (Poultry)	Boalan, Zamboanga City	Rented	Good
	ECA Cold Storage (Poultry)	Tambler, General Santos City		
	Davao Fresh Foods Corporation (Poultry)	Km. 20 Los Amigos, Tugbok, Davao City	Rented	Good
	Sirawan Ice Plant (Poultry)	Brgy. Toril, Sirawan, Davao City	Rented	Good
	Polar Bear Corporation (Poultry)	Davao Fishing Port Complex, Toril, Davao City	Rented	Good
	Green Pine Dressing Plant (Poultry)	Km 9., Tag-ibo, Butuan City	Rented	Good
	St. Jude Dressing Plant (Poultry)	Mohon, Tagoloan, Misamis Oriental	Rented	Good
	Reefer Van Specialists	Alubijid, Misamis Oriental	Rented	Good
	Elim Dressing Plant (Poultry)	Mialen Clarin, Misamis Occidental	Rented	Good
	PMC Logistics (Purefoods-Hormel)	Marcos Highway, Barrio Mayamot, Antipolo City	Rented	Good
	Estrella Ice Plant (Purefoods-Hormel)	Valenzuela, Bulacan	Rented	Good
	Royal Cargo Combined Logistic (Purefoods-Hormel)	Sta. Acqueda Ave., Pascor Drive, Parañaque City	Rented	Good
	Vifel Ice Plant and Cold Storage (Purefoods-Hormel)	North Bay Blvd., Navotas, Metro Manila	Rented	Good
	Magnolia Cebu	SMC Complex, Hi-Way, Mandaue City	Lot Owned by San Miguel Corporation	Good
	IRAJ Corporation	A. Bonifacio Ave., Balintawak, Quezon City		
	Royal Cargo (Monterey)	Dasmariñas, Cavite	Rented	Good
	Refrigerated Transport Services (Monterey)	Pasig City	Rented	Good
	Reefer Van Specialists, Inc. (Monterey)	Pasig City	Rented	Good
	Icon Reefer Corp. (Monterey)	Makati City	Rented	Good
	Supreme Aqua Resources Corporation (Monterey)	Tacloban City, Leyte	Rented	Good
	Big Blue Logistic Corporation (Monterey)	Cebu City	Rented	Good
	Sunpride Foods, Inc. (Monterey)	Pakna-an, Mandaue City, Cebu	Rented	Good
	Big Blue Logistic Corporation (Monterey)	Cagayan de Oro City	Rented	Good
	Las Piñas (Food Shop)	Enriquez Business Center, Real St., Alabang-Zapote Road, Pamplona 3, Las Piñas	Rented	Good
	Retiro (Food Shop)	474-486 N. S. Amoranto Ave., Sta. Mesa Heights, Q. C.	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Lagro (Food Shop)	Ground Floor Roncal Bldg., Quirino Highway near cor. Ascension St., Pasong Putik, Lagro Quezon City	Rented	Good
	Parang (Food Shop)	Lot 2-B, Block 9, Gen. N. C. Molina St., cor. E. Rodriguez St., Parang, Marikina City	Rented	Good
	Commonwealth (Food Shop)	313 Commonwealth Ave., near cor. Tandang Sora Ave., Culiat, Quezon City	Rented	Good
	Countryside (Food Shop)	Ground Floor, RCJ Bldg., Ortigas Ave. cor. Countryside Ave., Brgy. Sta. Lucia, Pasig City	Rented	Good
	San Pablo (Food Shop)	Ex-Manila Bank Bldg., Rizal Ave. cor. Brion St., Brgy. Poblacion, San Pablo City	Rented	Good
	Sangandaan (Food Shop)	1584 A. Mabini St., Sangandaan, Caloocan City	Rented	Good
	UST (Food Shop)	Space 13 Level 1 & Space 25B Leve2, UST-Multi-Deck Parking, Leon Ma. Guerrero Drive, UST Manila	Rented	Good
	Novaliches (Food Shop)	248 Gen. Luis St., Novaliches Proper, Novaliches, Quezon City	Rented	Good
	Molino (Food Shop)	Lot 5541-A-3G Molino Road, Molino III, Bacoor, Cavite	Rented	Good
	Redemptorist (Food Shop)	83 Redemptorist Rd., Baclaran, Parañaque City	Rented	Good
	Ruby (Food Shop)	Ground Floor. Agustin I Bldg., Ruby St., near cor. Julia Vargas St., Ortigas Center, Pasig City	Rented	Good
	Mabalacat (Food Shop)	Mc Arthur Highway, Mabalacat, Brgy. Tabun, Pampanga	Rented	Good
	Lipa (Food Shop)	MVL Center, J. P. Laurel, Nat'l Highway, Brgy. Tambo, Lipa, Batangas City	Rented	Good
	San Pedro (Food Shop)	B22 L8 D' Great Building, Juan Ave. cor. Amorsolo St., Chrysanthenum Village, Brgy. San Vicente, San Pedro, Laguna	Rented	Good
	Lucena (Food Shop)	M. L. Tagarao cor. M. H. Del Pilar St., Lucena City	Rented	Good
	Rosario (Food Shop)	Lolo Polo Bldg., Gen. Trias Drive, Barangay Tejeros Convention, Rosario, Cavite	Rented	Good
	Kalayaan (Food Shop)	9608 Kalayaan Ave. near cor. Anastacio St., Brgy. Guadalupe Nuevo Makati City	Rented	Good
	Baliuag (Food Shop)	B. S. Aquino Ave., Bagong Nayon, Baliwag, Bulacan	Rented	Good
	San Mig Café (Great Food Solutions)	Ground Floor., SMPC Bldg., St. Francis St., Mandaluyong City	Rented	Good
	Great Food Solutions Cebu Depot	SMC SL Compound, M. Ceniza St., Ouano Wharf, Brgy. Looc, Mandaue City, Cebu	Rented	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
	Great Food Solutions Bacolod Depot	Zone 2 Calong Calong, Airport Subd., Bacolod City	Rented	Good
	Great Food Solutions Iloilo Depot	Fishing Port, Tanza, Iloilo City	Rented	Good
	Great Food Solutions Cagayan de Oro Depot	Door 4 Alwana Business Park, Cugman, Cagayan de Oro City	Rented	Good
	Great Food Solutions Davao Depot	Km. 6 Amon Building, Lanang, Davao City	Rented	Good
10	San Miguel Corporation - Agribusiness			
	Iligan Coconut Oil Mill	Sta. Filomena, Iligan City	Owned	Good
11	San Miguel Corporation			
	Land	Bo. Sagcahan, Tacloban City	Owned	Good
	Land	14 Memorial Lots at Golden Haven Memorial Park (Manila)	Owned	Good
	Land	Antipolo, Rizal	Owned	Good
	Land	Bacolod Shrimp Processing Plant	Owned	Good
	Land	Baguio City BMD Warehouse	Owned	Good
	Land	Bagumbayan, San Jose Antique	Owned	Good
	Land	Balibagohan, Mabini, Batangas	Owned	Good
	Land	Banauan, Davao PPC	Owned	Good
	Land	Banaybanay, Lipa City Batangas	Owned	Good
	Land	Barcaistegue, San Miguel	Owned	Good
	Land	Baungon, Bukidnon	Owned	Good
	Land	Baybay, Leyte	Owned	Good
	Land	Binalonan (Sumabmit) Pangasinan	Owned	Good
	Land	Bo. Matina Davao	Owned	Good
	Land	Bo. San Dionisio, Paranaque	Owned	Good
	Land	Bo. Halayhay, Tanza, Cavite	Owned	Good
	Land	Bula, Gen. Santos City, South Cotabato	Owned	Good
	Land	Bulawen, Palaueg, Zambales	Owned	Good
	Land	Cabcaben, Mariveles, Bataan	Owned	Good
	Land	Calamba, Laguna	Owned	Good
	Land	Calauan	Owned	Good
	Land	Carmen Rosales, Pangasinan	Owned	Good
	Land	Cebu City	Owned	Good
	Land	Cupang, Antipolo, Rizal	Owned	Good
	Land	Damar Village	Owned	Good
	Land	Dampol, Pulilan, Bulacan	Owned	Good
	Land	Gen. T. De Leon Valenzuela City	Owned	Good
	Land	Gen. Tinio, Nueva Ecija	Owned	Good
	Land	Gen. Santos Feed Center	Owned	Good
	Land	Ibazeta Farm	Owned	Good
	Land	Iloilo City	Owned	Good
	Land	J.Panganiban Cam/Norte	Owned	Good
	Land	Karaan Farm	Owned	Good
	Land	Kaytaiyan Tanay, Rizal	Owned	Good
	Land	Kisolon Sumbo, Bukidnon	Owned	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Land	Lambaquin Jaen, Nueva Ecija	Owned	Good
	Land	Ulas Property Davao	Owned	Good
	Land	Lucena City, Quezon	Owned	Good
	Land	Malabon, Meto Manila	Owned	Good
	Land	Malaybalay, Bukidnon	Owned	Good
	Land	Mandaue, Cebu	Owned	Good
	Land	Maura Aparri	Owned	Good
	Land	Nangka, Markina City	Owned	Good
	Land	Opol, Misamis	Owned	Good
	Land	Ormoc City Leyte	Owned	Good
	Land	Pagoring Libmana Cam. Sur	Owned	Good
	Land	Paranaque, Metro Manila	Owned	Good
	Land	POB San Pablo City Laguna	Owned	Good
	Land	Sto. Tomas, Batangas	Owned	Good
	Land	Pusok Lapu-lapu City Mactan	Owned	Good
	Land	Pandag Buluan Maguindanao	Owned	Good
	Land	San Bartolome, Quezon City	Owned	Good
	Land	San Rafael, Lubao, Pampanga	Owned	Good
	Land	Valladolid, Carcar Cebu	Owned	Good
	Land	San Dionisio Paranaque	Owned	Good
	Land	San Matias, San Fernando Pampanga	Owned	Good
	Land	San Miguel Cruesot Loire	Owned	Good
	Land	San Pedro San Fernando, Pampanga	Owned	Good
	Land	Camarines Sur	Owned	Good
	Land	Takian La Trinidad, Benguet	Owned	Good
	Land	Tunasan, Muntinlupa City	Owned	Good
	Land	Walmakar Gen. Santos City	Owned	Good
	Land	Bacolod Brewery, Bacolod City	Owned	Good
	Land	Angeles S.O.; S. Jacinto St., S. Angelo Subd., Angeles City	Owned	Good
	Land	Baguio S.O, Irisan, Baguio City	Owned	Good
	Land	Batangas S.O., Bo. Balagtas, Batangas City	Owned	Good
	Land	Mandaue City, Cebu	Owned	Good
	Land	Inviernes, Manila	Owned	Good
	Land	Butuan S.O., fort Poyohan, Butuan City	Owned	Good
	Land	Caloocan S.O., Asistio., Bo. Biglang Awa, Caloocan City	Owned	Good
	Land	Candon Whse, Tablac, Candon Ilocos Sur	Owned	Good
	Land	Carlatan S.O. Madayegdeg, San Fernando, La Union	Owned	Good
	Land	Carmen S.O. Carmen East, Rosales, Pangasinan	Owned	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Land	Cauayan S.O. -Nat'l Highway, S. Fermin, Cauayan, Isabela	Owned	Good
	Land	Cubao S.O., 20th Ave., Cubao Q.C.	Owned	Good
	Land	Dagupan S.O.;Carangalan Dist., Dagupan City	Owned	Good
	Land	Digos Rizal, St., Davao City	Owned	Good
	Land	Gen. Santos S.O. , Lagao Road, South Cotabato	Owned	Good
	Land	Guiguinto S.O. Brgy., Sta. Cruz, Guiguinto, Bulacan	Owned	Good
	Land	Gumaca S.O.;Natl Hi-way, Villa Bota, Gumaca, Quezon	Owned	Good
	Land	Himamaylan S.O., Himamaylan, Negros Occidental	Owned	Good
	Land	Iloilo S.O., Muelle Loney, Iloilo	Owned	Good
	Land	Lal-lo S.O., Sta. Maria, Lal-lo, Cagayan	Owned	Good
	Land	Lipa S.O., Ayala Hi-way, Lipa City, Batangas	Owned	Good
	Land	Lucena S.O.; Brgy. Isabang, Lucena City	Owned	Good
	Land	Lumbangan Nasugbu, Batangas	Owned	Good
	Land	Marbel, Koronadal City	Owned	Good
	Land	Naga S.O., Concepcion Grande, Naga City	Owned	Good
	Land	Numancia S.O., Camansi Norte, Numancia Aklan	Owned	Good
	Land	Opol S.O., Opol, Cagayan de Oro City	Owned	Good
	Land	Paranaque S.O.; Bernabe Subd.,San Dionisio, Paranaque	Owned	Good
	Land	Puerto Princesa S.O., Puerto Princesa	Owned	Good
	Land	Pureza S.O., Pureza, Sta. Mesa, Manila	Owned	Good
	Land	Roxas S.O., Bo.Libas, Roxas City	Owned	Good
	Land	San Isidro S.O.-Gapan-Olongapo Rd., Pob. S. Isidro, N.E.	Owned	Good
	Land	San Jose Occidental Mindoro	Owned	Good
	Land	Santiago S.O.; Mabini, Santiago, Isabela	Owned	Good
	Land	Sum-ag Warehouse, Brg. Sum-Ag, Bacolod City	Owned	Good
	Land	Tacloban S.O., Fatima Vill, Tacloban City	Owned	Good
	Land	Tagum S.O. National Highway, Tagum City	Owned	Good
	Land	Tandag S.O., Sema St. Brgy. Bongtod, Tandag City Surigao del Sur	Owned	Good
	Land	Tarlac S.O.; San Rafael, Tarlac, Tarlac	Owned	Good
	Land	Taytay S.O., East Road, Taytay Rizal	Owned	Good

Company Name / Subsidiary		*Address*	*Rented / Owned*	*Condition*
	Land	Tondo S.O., Honorio Lopez St., Tondo Manila	Owned	Good
	Land	Zamboanga S.O., Baliwasan Drive, Zamboanga City	Owned	Good
	Land	Davao Brewery, Darong Sta. Cruz, Davao Del Sur	Owned	Good
	Land	Mandaue Brewery-SMC Mandaue Complex, Hi-Way, Mandaue City	Owned	Good
	Land	Polo Brewery-Mc Arthur Highway, Malabon City	Owned	Good
	Land	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Land and Building	Km. 71, Aguinaldo Highway, Amuyong, Alfonso, Cavite	Owned	Good
	Land and Building	Sta. Filomena, Iligan City	Owned	Good
	Land and Warehouse	A. Del Rosario Ave, Brgy. Tipolo, Mandaue City	Owned	Good
	Land	Muelle dela Industria St., Binondo Manila	Owned	Good
	Land	Tomas Claudio St., Beata, Pandacan Manila	Owned	Good
	Land	Canlubang Indusrial Estate, Canlubang Laguna	Owned	Good
	Land	Dr. A. Santos Ave., Sucat, Paranaque	Owned	Good
	Land	Teresa Rizal	Owned	Good
	Office Building	8th flr SMPI Center, St. Francis St., Ortigas Center Mandaluyong	Owned	Good
	Office Building	Meralco Ave., Pasig City	Rented	Good
	Office Building	40 San Miguel Ave., Mandaluyong City	Rented	Good
	Warehouse	A. Del Rosario Ave, Brgy. Tipolo, Mandaue City	Owned	Good
	Warehouse	Looc, Mandaue City Cebu	Owned	Good
	Warehouse	SMC Mandaue Complex, Hi-way, Mandaue City	Owned	Good
	Warehouse	Northbay Blvd., Navotas, Metro Manila	Owned	Good
	Warehouse	Darong, Sta. Cruz, Davao Del Sur	Owned	Good
	Warehouse	SMC Complex, Quebiawan, San Fernando, Pampanga	Owned	Good
	Others			
1	San Miguel Properties, Inc.			
	The Legacy	Las Piñas, Metro Manila	Owned	Good
	Bel Aldea	Gen. Trias, Cavite	Owned	Good
	Maravilla	Gen. Trias, Cavite	Owned	Good
	Office spaces	The Enterprise Center, Ayala Avenue, Makati,	Owned	Good

Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
Office spaces	PET Plans Tower, Makati	Owned	Good
Office spaces	San Miguel Properties Centre, Mandaluyong	Owned	Good
Office building, land	San Miguel Avenue, Mandaluyong	Owned	Good
Industrial plant, land	Reliance Street, Mandalyong	Owned	Good
Industrial plant, land	Aurora Avenue, Quezon City	Owned	Good
Land	Meralco Avenue, Pasig	Owned	Good
Land	Filinvest Corporate City, Muntinlupa	Owned	Good
Land	Canlubang, Laguna	Owned	Good
Land	Gen. Trias, Cavite	Owned	Good
Land	Alfonso, Cavite	Owned	Good
Land	Lubao, Pampanga	Owned	Good
Land	Masbate	Owned	Good
Land	Sta. Cruz, Davao del Sur	Owned	Good
Land	Polomolok, South Cotabato	Owned	Good
Land	Boracay Is., Bo. Yapak, Malay, Aklan	Owned	Good
Legacy Homes, Inc.			
Villa de Calamba	Calamba, Laguna	Owned	Good
Primavera Hills	Liloan, Cebu	Owned	Good
Buenavista Homes	Jugan, Cebu	Owned	Good
Excel Unified Land Resources Corp.			
Wedge Woods	Silang, Cavite	Owned	Good
Bright Ventures Realty, Inc.			
Land	Mabini St., Addition Hills, San Juan	Owned	Good
Bel-Aldea Realty, Inc.			
Residential House & Lot	La Loma, Quezon City	Owned	Good
Highriser Group, Inc.			
Warehouse, land	Pasay Road, Makati	Owned	Good
Prestigio Realty, Inc.			
Land and Residential Building	Greenhills, Mandaluyong City	Owned	Good
Dimanyan Wakes Holdings, Inc.			
Land	Coron, Palawan	Owned	Good
Busuanga Bay Holdings Inc.			
Land	Coron, Palawan	Owned	Good
Bulalacao Property Holdings, Inc.			
Land	Coron, Palawan	Owned	Good
Calamian Prime Holdings, Inc.			
Land	Coron, Palawan	Owned	Good
Palawan White Sands Holdings Corp.			
Land	Coron, Palawan	Owned	Good
Coron Islands Holdings, Inc.			
Land	Coron, Palawan	Owned	Good

	Company Name / Subsidiary	*Address*	*Rented / Owned*	*Condition*
2	San Miguel Stock Transfer Service Corp.	1505,1506,1507 Condominium Units 15th Robinson's Equitable Tower ADB Avenue cor Poveda St, Pasig City	Owned	Good

Note : All owned properties are free of liens and encumbrances.

SAN MIGUEL CORPORATION

ANNEX "D"

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation (the Parent Company) and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2008. The following discussion should be read in conjunction with the attached audited consolidated balance sheets of the Group as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2008. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2008 and the results of operations and cash flows for the year ended December 31, 2008 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- agricultural produce are measured at fair value less estimated point-of-sale costs.

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest million (P000,000), except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Philippine interpretations from International Financial Reporting Interpretation Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

Significant Accounting Policies
The accounting policies presented in Note 3 of the attached Notes to the Consolidated Financial Statements have been applied consistently to all periods presented except for the following new and amended PAS and Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC), which were adopted starting January 1, 2008:

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions:* This interpretation addresses how to apply PFRS 2, *Share-based Payment* to share-based payment arrangements involving equity instruments of the parent company, where a parent company grants rights to its equity instruments to the employees of its subsidiary or a subsidiary grants rights to equity instruments of its parent company to its employees. The adoption of this interpretation did not have a material effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction:* This interpretation provides general guidance on how to assess the limit in PAS 19, *Employee Benefits*, on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The adoption of this interpretation did not have a material effect on the consolidated financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 7, *Financial Instruments: Disclosures:* This standard permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the trading category in certain circumstances. The amendments also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that otherwise would have met the definition of loans and receivables, if the entity has the intention and ability to hold that financial asset for the foreseeable future. The adoption of these amendments to standard did not have an effect on the consolidated financial statements.

II. RESULTS OF OPERATIONS

The results of operations of Agribusiness (a Division of Parent Company) in 2008, 2007 and 2006, San Miguel Foods Australia Holdings Pty. Ltd. (SMFAH) and San Miguel Australia Holdings Ltd. (SMAH) in 2007 and 2006 and Coca-Cola Bottlers Philippines, Inc. (CCBPI) for the period ended February 22, 2007 and December 31, 2006, were presented as a separate item under "Income After Income Tax from Discontinued Operations" in the consolidated statements of income. Accordingly, the comparable 2007 and 2006 consolidated statements of income were restated.

Comparisons of key operating results for the last three years are summarized in the following tables.

	Years Ended December 31		
	2008	**2007** (As Restated)	**2006** (As Restated)
		(In Millions)	
Sales	**₱168,041**	₱148,022	₱135,095
Gross Profit	**43,969**	37,960	35,532
Selling and Administrative Expenses	**(29,151)**	(26,333)	(22,654)
Financing Income (Charges) - net	**598**	(5,030)	(4,334)
Equity in Net Earnings (Losses) of Associates	**(1,132)**	164	56
Gain on Sale of Investments and Property, Plant and Equipment	**8,746**	2,224	245
Other Income (Charges)	**(2,262)**	3,614	3,192
Income from Continuing Operations	**14,670**	8,079	8,090
Income after Income Tax from Discontinued Operations	**5,413**	272	1,809
Net Income Attributable to Equity Holders of the Parent Company	**19,348**	8,630	10,306

2008 vs. 2007

The Group's 2008 consolidated sales revenue amounted to ₱ 168,041 million, 14% above last year as most businesses registered double digit revenue growth versus 2007.

This resulted to a consolidated operating income of ₱ 14,818 million, 27% higher than last year. Beer domestic operation's income performance was consistently good in 2008. Beer international ended the year with a positive contribution, turning around from an operating loss reported in 2007. Packaging business performance ended the year significantly better than a year ago with improved glass and plastic sales performance. These were, however, partially offset by slowdown in food and hard liquor's operating income performance with the higher costs of operations.

2008 net financing income is ₱ 598 million with the interest income on our cash balance.

Equity in net losses include San Miguel Properties, Inc.'s (SMPI) share in net losses of Bank of Commerce (BOC) partly offset by the equity in net income of Meralco.

Gain on sale of investments and property, plant and equipment include gain from the initial public offering of San Miguel Brewery Inc. (SMB) shares, sale of KSA Realty Corporation (KSA) shares and 35% stake in the domestic and regional packaging businesses and the sale of Aurora property.

Other charges include mainly from marked-to-market loss on commodity and foreign currency derivatives, net of foreign exchange gains, which ended at ₱2,262 million.

With this, profit from continuing operations for 2008 amounted to ₱14,670 million, significantly higher than last year. Coupled with the gain from discontinued operations, consolidated net income amounted to ₱19,348 million, significantly higher than last year.

Without the non-recurring gains on sale of investments and properties, 2008 net income would have been ₱ 7,221 million, 4% higher than the comparable net income in 2007.

2007 vs. 2006

Consolidated sales revenue grew 10% to ₱148,022 million. Operating income was down 10% to ₱11,627 million over 2006 due to several factors: a.) having to absorb an 8% increase in excise tax on the liquor business implemented in January, 2007; b.) the cyclical downtrend for glass bottle requirements; c.) significant increases in raw materials and fuel costs that affected the food businesses; and d.) increase in ad and promo expenses for new products launched in 2007.

Consolidated net financing charges ended at ₱5,030 million due to higher interests from borrowings.

Gain on sale of investments and property, plant and equipment in 2007 pertains mainly to the sale of Del Monte Pacific Ltd.

With the strengthening of Philippine peso and other Asian currencies versus the United States dollar (USD), foreign exchange gain in 2007 reached ₱ 6,587 million, a significant increase from ₱ 2,768 million in 2006. Thus, consolidated other income mainly represents foreign exchange gains, partly offset by losses on foreign exchange swaps and impairment losses of the Yuen

Long plant of San Miguel Brewery Hong Kong Limited (SMBHK) and of certain idle assets of San Miguel Packaging Specialists, Inc. (SMPSI), renamed as San Miguel Yamamura Packaging Corporation (SMYPC) .

Income from continuing operations ended slightly lower at ₱8,079 million in 2007.

The income from discontinued operations amounted to ₱272 million. This includes the income and losses recognized from the sale of CCBG and SMFAH and the net consolidated losses of CCBG, SMFAH, SMAH and Agribusiness in 2007.

Thus, net income attributable to equity holders of the Parent Company ended at ₱8,630 million, 16% lower than 2006.

CONTINUING OPERATIONS

2008 vs. 2007

BEVERAGE

Beer Domestic

SMB sustained its volume uptrend in 2008 despite market difficulties with the economic slowdown and rising commodity prices. Total SMB volumes grew by 4% to reach 174.5 million cases that brought in revenues of ₱48,787 million, 11% higher than last year, in spite of the price increase implemented in April to cover escalating costs. Volume expansion was driven by intensified and innovative sales and marketing activities which enabled SMB to further strengthen its market position reaching 96%.

These initiatives included various tactical consumer and trade promotions and efforts to gain exclusive on-premise selling activities in key large-scale fiestas. Volume-generating and "occasion creation" programs such as *Territoryo* San Miguel, Beer Plazas, Beer Drinking Contests, Payday Special and outlet-based events were also implemented to further spur consumption.

The brands San Mig Light, Red Horse and Gold Eagle all grew in volume over 2007, even as San Miguel Pale Pilsen (SMPP) embarked on its biggest Oktoberfest yet in 2008. The annual beer fest was transformed into the SMB's grandest and longest-running fiesta with nationwide events lined up during the Oktoberfest's three-month launch.

SMB sponsored viewing parties for its top endorser, boxing great Manny Pacquiao, in his well-publicized matches. Visibility for the brand was also achieved through the sponsorship of concerts by international acts, namely Maroon 5 and Alicia Keys.

To further strengthen SMB's brand portfolio and grow the upscale segment market, SMB launched at the Oktoberfest kick-off party, San Miguel Premium All-Malt Beer and its seasonal offering, San Miguel Oktoberfest brew.

To chart SMB's future, it crafted its vision-mission with the tagline "Drink to Life" as it aims to make every occasion a celebration through SMB's products and services.

All these resulted in an operating income to ₱15,636 million, a 27% growth from ₱12,273 million in 2007.

Beer International
The performance of Beer International continues to be encouraging, as the business gains traction from its efforts to improve its structure and operations.

Volume sales of 48.4 million cases, registered growth of 1% from 2007, the bulk of which can be attributed to Indonesia's strong performance and improved sales in Thailand, Hong Kong and San Miguel Brewing International Ltd's (SMBIL) export sector.

Sales revenue ended at US$283 million, 24% above 2007. Operating income was at US$1.97 million, a rebound from last year's loss of US$4.35 million which came from gains from Indonesia, North China, Thailand, Hong Kong, and SMBIL Exports. The significant turn-around in SMBIL's profitability was the result of business restructuring initiatives, outlet-based promotion programs, sales mix improvements and continuous efficiency enhancements.

In Hong Kong, domestic volumes posted a 5% growth from last year with SMPP reversing previous year's declining trend. This was boosted by its integrated marketing activations in outlets and special events with good output from the retail chains.

South China's domestic volumes suffered from the economic downturn in Foshan City and the closure of several key Chinese restaurants and open air outlets due to food safety concerns. However, exports and tolling volumes had offset much of the shortfall, thus registering a consolidated volume growth of 4%.

PT Delta Djakarta Tbk (PT-Delta) capped a stellar performance in 2008 registering domestic volume growth of 18% from 2007 level coming from the positive performance of Anker brand, San Miguel brand and Carlsberg. Thus, operating income grew 47% versus 2007 driven by strong volumes, better efficiencies and price increases.

Vietnam volumes remained lower than last year which resulted from competitor buy-outs and termination of sponsorships.

In Thailand, domestic volumes grew double digit from last year, driven by higher sales of SMPP and San Mig Light. Tolling and export volumes also grew, contributing significantly to the marked improvement in over-all profitability of the Thailand operations. San Miguel brands continued its second year of growth in 2008 which nearly doubled from last year, benefiting greatly from the increase in number of penetrated outlets ending at 9,386 outlets by year-end.

Export volumes for the year grew 22% against last year driven by SMPP and other San Miguel brands, particularly Red Horse. Overall, the Middle East and North American markets contributed the biggest growth over last year.

Liquor and Spirits
In line with a vision to create a total beverage company out of Ginebra San Miguel, Inc. (GSMI) and further strengthen its operations beyond the mature liquor and spirits market into faster-growing areas of the non-alcoholic beverage businesses, the board of GSMI approved last October the purchase of the non-alcoholic beverage assets and operations of San Miguel Beverage, Inc (SMBI).

GSMI's GSM Blue and Gran Matador delivered substantial volume gains during the year, with hard liquor domestic volume growing 9% higher than last year. Following efforts to improve availability and product penetration, volumes of GSM Blue grew significantly from last year. Gran Matador's 1-liter format also enjoyed strong volume growth.

Sales revenue grew 18% to ₱15,428 million. However, operating income ended at ₱431 million, 33% lower than last year on account of the rise in alcohol and packaging costs, higher ad spend to support the year's strong volume growth and increased administrative expenses.

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With fuel prices rising since the start of 2008 until the 3rd quarter, GSMI entered into a hedge arrangement to protect GSMI from further surges in fuel prices. However, with the downturn of prices during the 4th quarter, this resulted to a marked-to-market loss on our hedged fuel prices. All these dampened profitability, resulting in GSMI ending the year with a net loss of ₱279 million.

FOOD

Commodity costs were a challenge across the food industry in 2008. Several initiatives were implemented to help the Food Group improve its efficiencies, lower its production costs and generate savings so as to remain competitive in view of the difficult market and operating conditions.

While volumes contracted across most of the business segments, revenues were nevertheless robust, with poultry, feeds, flour, value-added meats and Vietnam operations posting double digit growth rates. Food Group revenues reached ₱73,880 million, up by 16%, as the businesses took some pricing measures to cover rising input costs.

Despite the slowdown in consumer spending, the Food Group managed to maintain market leadership in a majority of its product segments as major innovations were introduced to keep its offerings relevant and affordable to consumers.

The integration of outbound logistics allowed the business to maximize synergies among its branded businesses and standardize outbound logistics processes, policies and guidelines, resulting in annual savings of about P6 million.

Raw material substitution has been intensified resulting in savings of ₱217 million.

To secure higher margins and manage volatilities in the global commodity markets, the Food Group continued to pursue efforts towards developing more value-added products. To-date, the contribution has already gone up to almost 50% from total sales, evidenced by new products launched during the year - Ulam King, Purefoods Tender Juicy Sweet Corn, San Mig Coffee 2-in-1 coffeemix, and relaunched Magnolia Chicken Stations and Monterey Meatshops, were just some of the initiatives in 2008 designed to skew the Food Group's product portfolio toward the high-margin, more stable value-added segment. These new product lines are currently enjoying a favorable response from consumers.

Despite these efforts, the Food group's operating income fell short of last year due to high raw material costs, soft consumer demand and increased fixed costs spending.

Agro-Industrial Cluster
Integrated Agro-Industrial Zone. Poultry volumes registered positive growth throughout the year while the feeds and basic meats posted slight decline from last year. Aided by favorable prices, sales revenue amounted to ₱48,811 million, 15% higher than 2007.

The Magnolia Chicken Stations yielded rewards for the Poultry sector. From 217 outlets in 2007 to 296 in 2008 delivering 28.7% volume growth and generated revenues of ₱3.76 million for the year.

The Feeds Business introduced various sales recovery programs to preserve profitability amid a weak market that resulted in lower volumes.

With more than 166 Monterey Neighborhood Meatshops and 250 Monterey Supermarket Meatshops, the business continued to expand distribution and widen product availability, which helped in driving sales.

*Milling***.** Our milling operations saw a surge in wheat costs coupled with price controls which held back its performance. However, with price increases and the growing value-added flour segment allowed the business to post revenue of ₱8,684 million, a 30% growth from last year.

On the other hand, the business' efforts in moving flour from basic to customized flour and premixes have started to pay off, protecting margins and locking in key customers.

Two new product categories were introduced: Magnolia Real Good Instant Noodles and E-Aji Thin and Light snacks. Both have the "no added MSG" component to address the health and wellness needs of consumers.

Branded and Value Added Businesses
Processed Meats. Sustained growth in all segments allowed Purefoods-Hormel to increase volumes by 4% which brought in revenue of ₱11,567 million, 11% higher than last year. The segment's operating income was ₱626 million, 13% higher than last year.

Innovation paved the way for the business to sustain its strong performance with new product introductions like Tender Juicy Sweet Corn Hotdog, new and exciting shapes for Chicken Fun Nuggets, and Ulam King, a new line of affordable canned viands. The health benefits of Chick N Tasty Hotdog were also emphasized with its choline (an essential food nutrient) component. These new products further bolstered the business' portfolio of high-quality and value-for-money offerings.

Dairy, Oils & Fats. Magnolia Inc's. (Magnolia) performance for the year was adversely affected by the rising costs of raw materials. Volumes fell across all major categories, except for ice cream. While price increases were implemented across all product lines, sales revenue slipped 7% below the previous year.

Butter, margarine and cheese continued to dominate the market with their flagship brands – Magnolia and Star Margarine. Products were also launched which aimed to suit to prevailing consumer disposal income (e.g., Daily Queso, Dairy Blend and new ice cream flavors).

Food Service.
Great Foods Solutions continued to partner with foodservice giants such as the Jollibee Group, Lots'A Pizza, 7-Eleven and the Bistro Group, among many others. With sustained innovation, product customization, co-branding activities with key accounts, complemented by the aggressive technical, culinary and food safety training of all GFS front liners, the business gained significant improvement in its performance.

Emerging Businesses.
The Super Coffeemix business has sustained its revenue growth. Wider distribution, supported by sampling campaigns, new billboards and ad campaigns strengthened San Mig Coffee's hold of the market. The introduction of San Mig Coffee 2-in-1 Coffeemix also complemented the range of San Mig Coffee offerings.

The Food Shops' Snack Bar stations continue to draw customers. Fourteen Food Shops nationwide are currently in operation to continue providing additional distribution channels to the wide spectrum of San Miguel products.

Regional Operations
San Miguel Pure Foods Vietnam continued to be a bright spot in the Food Group operations with revenue and operating income growing 23% and 42% respectively.

Nine more Monterey Meatshop outlets were opened in 2008, with sales volume rising phenomenally every month. Today, there are 14 Monterey meatshops in Vietnam that are performing well.

On the other hand, San Miguel Pure Foods Indonesia's net loss narrowed down during the year, a big improvement from last year. Revenue grew by 9% as PT San Miguel Pure Foods Indonesia (SMPFI) focused on internal improvements, market innovation and expanded reach.

SMPFI continues to be the leading producer and marketer of halal processed meat products for retail and institutional customers and now ranks second in the processed meats industry with four core brands: Vida, Farmhouse, PF Choice and Gusto.

PACKAGING

The Packaging Group posted a solid recovery this year with sales revenue growing 6% to ₱ 19,852 million, the result of robust demand from the glass and plastic businesses. Improvements in the group's cost structure and a renewed focus on developing overseas markets have also helped.

The Packaging Group has entered into long-term contracts with major external customers such as Del Monte, Coca-Cola Bottlers Phils., Unilab, Kraft and Fonterra and retained other larger customers among them, Nestle and Pepsi.

New products were launched to further diversify markets. The Plastics business began commercial production of margarine tubs and its proprietary chicken flooring. It also established its plastic pallet leasing operations in Mindanao. The PET business developed tennis ball canisters using pre-forms with recycled PET content.

The Packaging Group continued its aggressive expansion into export markets outside Asia, developing more customers and products for Australia, South Africa and the Middle East. Its glass packaging subsidiary in China further deepened its penetration of the U.S. market with new customers and distributors.

The Packaging Group was likewise confronted with higher costs for oil and key raw materials. Packaging Group responded to this with pervasive cost and working capital reduction as well as value-enhancing programs across the organization. Thus, operating income of ₱ 1,315 million is significantly higher than the previous year.

PROPERTY

SMPI's performance ended 2008 with a 212% growth in net income attributable to equity holders of SMPI from ₱380 million to ₱1,186 million. The sharp increase was due to the disposal of real property and divestment of shares of stock.

SMPI's turnaround was also helped by the new initiatives in the areas of project development and operations, sales and marketing and project finance. Among these initiatives: the launching of Bel Aldea and Maravilla projects and expanded channels of distribution. SMPI signed a joint venture agreement with the Government Service Insurance System (GSIS) to develop a high-end service apartment in Makati City.

Its associate, BOC is supporting SMPI's operations by way of providing ready and easy access to mortgage financing. This one-stop-shop concept has since launched the 100%-Guaranteed Loanable Bank Financing Facility for potential buyers of SMPI projects.

While domestic demand remains strong, SMPI plans to tap the international market, targeting overseas foreign workers in Asia and the Middle East.

SMPI will also expand its competencies in the area of property management, with the recent transfer in management of SMC Tagaytay Training Center.

2007 vs. 2006

BEVERAGE

Beer Domestic
Since March 2007, SMB chalked up consecutive months of sustained volume and revenue growth. Volume grew by almost 8% while revenue and operating income posted a parallel growth of 9% at ₱44,139 million and ₱12,273 million, respectively. Volume expansion was driven by SMB's intensified marketing and sales programs which were helped along by a more robust Philippine economy and greater consumer confidence.

SMB undertook various brand activation and marketing initiatives such as the Jet Li campaign and the highly popular Manny Pacquiao-Erik Morales TVCs. SMB also sponsored the 2007 World Pool Championships, and co-sponsored concerts by internationally renowned music acts. The National Beer Drinking Contest likewise strengthened SMPP's equity among local drinkers.

The 632-BEER delivery project was also introduced in selected upscale areas to address consumer preference for convenience.

On top of the other sales, marketing and cost-management initiatives, outlet-based programs aimed at increasing consumer off take, brand-building and penetration will be sustained to further expand coverage, volumes and maintain strong profitability.

Beer International
Beer International operations continued to post improved profitability with revenue of $229 million, higher by 5% versus 2006 despite lower volumes in several key markets.

Operating loss of US$4 million ended significantly lower than 2006 as almost all operating units registered growth improvements – a result of sustained programs in improving sales, operational efficiencies and continued vigilance in costs.

The rationalization of the Group's operations in Hong Kong and the former Guangzhou brewery will significantly streamline costs and improve the long-term overall profitability of the business. The decision to restructure operations came as a result of relatively higher production and operating costs in these locations as compared to SMBHK's other South China brewery, San Miguel Guangdong Brewery (SMGB).

Hong Kong saw further recovery in the economy and implemented a reduction of excise duty tax from 40% to 20% in 2007. SMBHK's domestic volume grew 2% over 2006 and gained significant growth rate in the high-priced brands as the consumer preferences have slightly shifted out of economy brands.

In South China, profit significantly improved resulting from the shift to higher growth markets and categories.

SMGB continued to register strong growth in 2007 led by domestic sales and tolled volumes, mainly on the strength of Dragon brand. The continued airing of the "Refreshing to Fly" TVC and presence of effective brand signage in outlets in Shunde and nearby countries have further improved the brand equity of Dragon and reinforced its market leadership. The steady volume growth significantly contributed to the improvement of its operating income over 2006.

SMGB completed Phase 1 of its expansion program in 2006 and has moved to the next stage to support the growing requirements of SMBHK, GSMB, domestic and toll-packed volumes.

Guangzhou San Miguel Brewery (GSMB) achieved profitability gains following the restructuring and streamlining of operations in South China. This was further boosted by the modest growth of San Miguel brands driven by San Mig Light's strong performance through continuous effort to reinforce the brand value.

In North China, overall volumes grew for the 6th consecutive year bannered by Blue Star brands. Volumes increased 7% year-on-year despite flat beer-industry growth and intensified competition in the Hebei province.

Volumes in Indonesia declined slightly resulting from confluence of different factors – a price adjustment in late 2006, an increase in the excise tax and an ongoing inventory and receivable management program.

In Vietnam, volume expansion was accelerated in 2007 propelled by continued growth of W1N Bia and tolled volumes for Hue Brewery. Total volumes improved by 21% in 2007 which resulted to further reduction of operating loss.

In Thailand, volumes more than tripled, buoyed by exports and higher sales of San Mig Light. Expanded coverage and outlet-based initiatives for the brand, particularly in selected areas in Greater Bangkok and Central Thailand, pushed volumes higher.

Export volumes grew 8% due to higher Red Horse sales to the Middle East and bigger shipments of other San Miguel brands to Malaysia, South Korea, United Arab Emirates and Taiwan. Volume growth was likewise propelled by expansion to new markets and development of new products for selected areas.

Liquor and Spirits
GSMI posted 8% higher volumes in 2007, lifted by its core brands, that in turn delivered ₱13,111 million, 5% higher revenues versus 2006.

Despite a slowdown in brandy's sales, the strong performance of GSM Blue, which almost doubled from 2006, and the resurgence of Ginebra San Miguel Bilog offset the decline in Gran Matador volumes.

Sustained efforts at reinforcing core brand equity proved effective as sales of flagship gin products responded positively, even without a commensurate price increase. These included the sponsorship of high-profile sporting events.

Lower operating costs were achieved through a bottle retrieval system that brought down costs for packaging materials. The use of imported alcohol and favorable molasses prices also helped keep costs in check.

These initiatives in all paved the way for a steadily improving operating performance. Although operating income of ₱643 million fell short of 2006 levels, performance during the second half has showed significant improvements.

Effective working capital and inventory management system allowed GSMI to further strengthen its balance sheet and reduce dependence on debt – cutting down on interest and other expenses and boosting profitability in the process.

Overseas, the joint venture with the Thai Life Group completed construction of its production facilities in November 2007 and is primed for commercial run. This is expected to raise GSMI's profile as a regional total liquor company.

FOOD

The food business under San Miguel Pure Foods further reinforced its operational platform – both in terms of its value-added business proposition and pursuit of an integrated, efficient and more profitable organization.

Food Group's revenue grew 11% to ₱63,526 million on account of higher volumes and favorable selling prices pushing operating income 11% higher year-on-year brought in by increased turnover from the businesses and effective cost reduction programs.

The drive towards improving efficiencies and lowering costs through raw material substitution has gathered pace. Over 25,000 hectares of cassava were planted which significantly reduced input costs.

A total of 146 new products across all businesses expanded the line up of high value, great tasting and superior quality food products. In addition, the increase in retail channels, reaching nearly 900 from over 700 in 2006, provided adequate exposure and shelf-space to ensure availability of the Food Group's portfolio among a wider consumer base.

Agro-Industrial Cluster
Integrated Agro-Industrial Zone. The agro-industrial business cluster did better than 2006 despite weaker basic meats volumes. New higher-value added and better margin variants were introduced to preserve profitability despite the dip in volumes.

Revenue of ₱42,313 million rose 13%, largely on improved selling prices and higher volumes from poultry and feeds, ushering in an operating income of ₱1,491 million.

*Milling***.** Revenue of ₱6,699 million from the milling business sustained an impressive 12% growth with income from operation amounting to ₱558 million as volumes from new products, four variants of E-Aji Potato Chips launched in October 2007, combined with favorable selling prices for bagged and bulk flour offset rising raw material and freight costs.

Exports of customized flour to Thailand as well as shipments of Pancake Mix to the Middle East and Vietnam and E-Aji Dip Snacks to several markets around the world also added incremental sales.

Branded and Value Added Businesses
Processed Meats. Volumes of the value-added meats business improved with revenue of ₱10,449 million growing 6%. With better margins accruing to these new and existing products like Mom's Kitchen, Purefoods Ham Selections, and Purefoods Flavored Burgers in Cheese, Spicy and Chorizo variants, operating income ended 9% higher at ₱554 million.

Dairy, Oils & Fats. For the dairy, oils & fats segment, Magnolia. registered volume growth across all categories with revenue registering at ₱5,177 million, up by 8%. However, operating income of ₱63 million fell below 2006 as increasing cost of major imported raw materials and unfavorable mix of low margin products persisted.

Food Service. Great Food Solutions, the food service unit, added to its roster of institutional clients through sustained product innovation. Revenue of ₱5,512 million was up by 16% and operating income ending at ₱94 million.

Emerging Businesses. From the new businesses, total revenue reached ₱539 million, higher by 36% from 2006, mainly coming from higher coffee volume. Operating loss of ₱32 million significantly improved versus 2006.

In addition, 18 San Miguel Food Shops already in operation continue to provide additional distribution channels for the Food Group's growing portfolio.

Regional Operations
San Miguel Pure Foods Vietnam. (SMPFV) continued its advance to a branded food platform generating revenue and income of US$38 million and US$1 million, respectively, significantly higher than 2006. The acquisition of Le Gourmet and the opening of six Monterey Meat Shops in the country provided a vehicle for branded meat products and distribution system.

PT San Miguel Pure Foods Indonesia. PT San Miguel Pure Foods Indonesia however, reported revenue of US$15 million, up by 14% but ended with an operating loss of US$1 million as prevailing market conditions favored the cheaper and unbranded products available in the market.

PACKAGING

Packaging Group's performance continued to lag as internal demand remained weak, with below break-even levels resulting in a corresponding drop in revenue by 3% at ₱18,777 million. While improvements were noted in the glass, plastics and metal segments, these still fell short to boost the weak performance from other segments with operating income significantly lower than 2006.

Expanded capacities in glass have already attracted large international customers, bringing in foreign revenues to augment domestic sales. The rehabilitation and upgrades in some of its key facilities have improved efficiencies – making it more equipped to meet the growing and diversifying demand for more sophisticated packaging solutions both here and abroad.

PROPERTY

SMPI posted 44% growth in net income attributable to equity holders of SMPI from ₱263 million to ₱380 million.

The SMPI's rental income in 2007 recorded 8% growth, from ₱438 million to ₱475 million, due primarily to the increase in the occupancy rates of San Miguel Properties Centre and the leasing of 38th floor of The Enterprise.

Apart from delivering strong results across most of its business segments, SMPI made a major acquisition, signing a share purchase agreement for the acquisition of 30% stake in BOC The bank will support SMPI's operations by providing prospective customers ready access to mortgage financing.

At the end of 2007, SMPI also entered into a share purchase agreement to sell its shares in KSA to Shang Properties, Inc.

III. FINANCIAL CONDITIONS

2008 vs. 2007

The Group's consolidated total assets as of December 2008 amounted to ₱339,373 million, ₱ 51,264 million higher than 2007, basically due to investment in Meralco and net increase in cash amounting to ₱30,845 million and ₱23,658 million, respectively.

Below were the major developments in 2008:

INVESTMENTS AND ACQUISITIONS

- On December 8, 2008, the BOD of the Parent Company approved the transfer of certain parcels of land used in the domestic beer operations to Brewery Properties, Inc. (BPI), a wholly-owned realty subsidiary in exchange for shares of stock.

  On December 16, 2008, the Parent Company formed BPI with an authorized capital stock of P1. BPI was incorporated primarily to own, use, improve, develop, sell, exchange, lease and hold investment or otherwise, real estate of all kinds, including buildings and other structures. BPI has not yet started commercial operations as of December 31, 2008.

- On December 8, 2008, the BOD of the Parent Company approved the transfer of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to Iconic Beverages, Inc (IBI), a wholly-owned subsidiary in exchange for shares of stock.

  On December 16, 2008, the Parent Company formed IBI with an authorized capital stock of P1. IBI was incorporated primarily to engage in the manufacturing, buying, selling (on wholesale) and dealing in alcoholic and non-alcoholic beverages and to own, purchase, license and/or acquire such trademarks and other intellectual property rights necessary for the furtherance of its business. On the same date, the BOD and stockholders of IBI approved the increase in its authorized capital stock from P1 to P10,000 divided into 100,005,000 shares at P100 par value per share. The Parent Company and IBI executed a Deed of Assignment of Domestic Intellectual Rights dated December 16, 2008 as supplemented by a Supplement to the Deed of Assignment of Domestic Intellectual Property Rights dated January 23, 2009 for the transfer of the IP Rights in exchange for common shares in IBI.

  IBI has not yet started commercial operations as of December 31, 2008.

- On October 27, 2008, the Parent Company entered into a sale and purchase agreement with the GSIS to acquire the latter's 300,963,189 shares in Meralco, representing 27% stake for a total consideration of ₱27,087 million plus an additional fixed term interest of ₱3,758 million. On November 10, 2008, the Parent Company paid ₱5,417 million representing downpayment for said shares with the balance payable in three (3) years.

  The Group recognized equity in net earnings of Meralco amounting to ₱126 million, representing its share in Meralco's net income from the period November 1 to December 31, 2008.

- On May 12, 2008, SMB listed its shares in the Philippine Stock Exchange pursuant to its listing application approved on March 26, 2008. SMB sold 77,052,000 shares to the public by way of a primary offer, and the Parent Company sold to the public 809,050,000 shares of its existing shares in SMB (including shares to cover for over-allotments) by way of a secondary offer, pursuant to a registration statement rendered effective by the Securities and Exchange Commission on April 28, 2008. The total shares offered represents 5.75% stake in SMB. The Group recognized a gain of P5,650 million from the transaction.

- In April 2008, SMPI and San Miguel Corporation Retirement Plan (SMCRP) paid the balance of its payable to BOC for its subscirption amounting to P1,500 million, of which P1,249 million and P251 million were paid by SMPI and SMCRP, respectively.

  In May 2008, SMPI and SMCRP entered into a subscription agreement with BOC for a total of 10,000,000 additional shares in BOC, wherein SMPI subscribed to an additional 3,001,779 shares, from the increase in the authorized capital stock of BOC with an aggregate par value of P300 (P100 per share) for P600 (P200 per share) to maintain its 30% stake in BOC, while SMCRP will increase its holdings in BOC to 21%. As of December 31, 2008, SMPI has made an advance payment of P150 million which is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account.

- On January 30, 2008, effective on the closing of the SMPSI Stock Purchase Agreement (SMPSI SPA) on January 31, 2008, the Parent Company and Nihon Yamamura Glass Co., Ltd (NYG) entered into a deed of assignment of shares of stock pursuant to which the Parent Company assigned, transferred and ceded all its rights, interest and/or title over the Parent Company's 3,756,501 shares in SMPSI for P4,317 million. On the same date, and effective on the closing of the SMPIL SPA on January 31, 2008, San Miguel Holdings, Limited (SMHL) and NYG entered into a deed of assignment of shares of stock pursuant to which SMHL assigned, transferred and ceded all its rights, interest and/or title over SMHL's 20,726,119 shares in SMPIL for US$21 million.

  Also on January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, SMPSI and NYG entered into a deed of assignment of shares pursuant to which NYG assigned its 20% stake in SYFMC with an aggregate book value of P23 million as full payment for its subscription of 19,659 SMPSI shares. On March 14, 2008, the SEC approved the valuation of NYG's shares in SYFMC. The relevant Certificate of Approval of Valuation was amended on April 23, 2008 to rectify the typographical error in the corporate name of SMPSI from "San Miguel Packaging Specialist, Inc." to "San Miguel Packaging Specialists, Inc.".

  On the closing of the SMPSI SPA and the SMPIL SPA both on January 31, 2008, the Parent Company and SMHL received P3,691 million and US$17 million, respectively, from NYG.

  Pending completion of the closing audit, the Group recognized a gain of P154 million from the sale of 35% interest in SMPSI and SMPIL.

  In connection with the sale, SMPSI changed its corporate name to "San Miguel Yamamura Packaging Corporation" as approved by the SEC on June 4, 2008. In addition, the BOD of SMPIL likewise approved the change in the corporate name of SMPIL to "San Miguel

Yamamura Packaging International Limited" on January 3, 2008, and such change became effective on June 11, 2008.

- On January 14, 2008, SMPI completed the sale of its 354,863 common shares (equivalent to 29.38% ownership) in KSA with carrying amount equivalent to its acquisition cost plus accumulated equity in net earnings of ₱468 million to Shang Properties, Inc. (SPI) for a total consideration of ₱1,812 million. The Group recognized a gain of ₱1,182 million, net of capital gains tax of ₱162 million.

- On January 2, 2008, San Miguel Beverages (L) Pte. Ltd. (SMBPL) completed the sale of J. Boag to Lion Nathan Ltd. The Group received A$277 million as payment of purchase price and recognized a gain of ₱5,425 million, net of deferred income tax.

Detailed discussion of developments relating to the Group's investments in shares of stock of subsidiaries is presented in Note 10 of the attached Notes to the Consolidated Financial Statements.

OTHER RECEIVABLES

In 2008, SMCRP paid the Parent Company P31,708 million (inclusive of P3,411 interest) for its advances.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

BORROWINGS

The Parent Company partially paid off its long-term debt by US$277 million decreasing its loan balance from US$1,200 million to US$923 million.

ACQUISITION/SALE OF ASSETS

- In July 2008, SMPI sold its Aurora, Quezon City property to Robinsons Land Corp. for a total consideration of ₱1,616 million. The Group recognized a gain of ₱1,230 million as of December 31 2008.

- In April 2008, SMPI completed the acquisition of the ₱704 million Boracay property with a total area of 281,566 square meters pursuant to the Asset Purchase Agreement entered into by SMPI and Boracay Property Holdings, Inc. in October 2007.

2007 vs. 2006

The Group's consolidated total assets as of December 2007 amounted to ₱288,109 million, ₱ 59,684 million lower than 2006 basically due to the sale of investment in National Foods Limited's (NFL).

Below were the major developments in 2007:

INVESTMENTS AND ACQUISITIONS

a. Effective January 1, 2007, subject to necessary approvals, the Parent Company transferred its share interest in San Miguel Foods Inc. (SMFI), Magnolia and Monterey Foods Corporation (Monterey) in exchange for equivalent shares in San Miguel Pure Foods Company, Inc. (SMPFC). The shares of SMFI, Magnolia and Monterey were valued using their respective book values as of September 30, 2006 totaling ₱4,591. Following the SEC's approval, SMPFC, issued to the Parent Company in November 2007, 70,865,078 shares valued at the latest trading price as of September 30, 2006. This resulted to an increase in the Parent Company's ownership from 99.83% to 99.92%.

b. In April 2007, the Parent Company, through San Miguel Foods Asia Limited, entered into a Share Purchase Agreement with Well Grounded Limited for the sale of the Group's 42.22% equity and other interest in NutriAsia San Miguel Holdings Limited (NSMH) for US$150 million. The amount of US$130 million was received on April 25, 2007 as partial payment for the transaction. The balance of US$20 million, including interest of 7.2% p.a., is due and payable on April 24, 2009. The Group recognized a gain from the said transaction amounting to US$46 million (₱2,149 million).

c. On February 22, 2007, the Parent Company and Coca-Cola South Asia Holdings, Inc. (CCSAHI) executed a Deed of Sale of Shares of Stock covering the Parent Company's 65% equity in CCBPI consisting of 766,121 common shares and 172,942 Class A preferred shares for US$590 million. The payments to the Parent Company are scheduled on various dates over a five year period subject to fulfillment of specific conditions attached to each and every payment due. As of December 31, 2008, receivable from CCSAHI of P4,752 million is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account.

   On August 23, 2007, the closing audit for the sale transaction was completed and the selling price was adjusted to US$520 million. The gain realized from the sale amounted to P824 million, net of P376 million net loss of CCBPI (from January 1 to February 22, 2007).

   The adjustment in selling price from US$590 million to US$520 million (net of the assigned receivables amounting to US$17 million) is a result of a compromise agreement between the Parent Company and CCSAHI.

c. On November 8, 2007, the Parent Company, through San Miguel Foods (L) Pte. Limited has reached an agreement with Kirin Holdings (Australia) Pty Ltd. to sell its Australian dairy and juice business, SMFAH for a purchase price of A$752 million, (net of external debt and shareholder loans), subject to adjustments at completion of closing audit. The sale includes NFL's shares in Berri Ltd., King's Creameries (S) Pte. Ltd. and Lactos Pty. Ltd.

On December 27, 2007, the Parent Company received A$2,090 million representing payment of purchase price and settlement of shareholder loans.

Based on the results of the closing audit on April 30, 2008, an adjustment in the purchase price of A$28 million was received by the Parent Company five business days after completion of the closing audit. The Group recognized a loss on the sale amounting to ₱513 million, net of ₱1,922 million net income in 2007.

e. On November 8, 2007, the Parent Company, through SMBPL signed a definitive agreement to sell its SMAH shares including its premium Tasmanian brewer, J. Boag & Son Limited to Lion Nathan Australia Pty Limited, an Australian alcoholic beverages company, for a purchase price of A$325 million, subject to adjustment at completion of closing audit.

   The closing audit was completed on January 2, 2008 and SMBPL received A$277 million as payment of purchase price, net of adjustments.

   The assets, liabilities and equity of J. Boag were classified as items held for sale in the consolidated balance sheets as of December 31, 2007.

f. Pursuant to the stockholders' approval obtained on July 24, 2007, the Parent Company transferred its domestic beer business net assets as of June 30, 2007, excluding land, brands and certain payables to its new wholly-owned subsidiary, SMB, in exchange for additional shares of stocks effective October 1, 2007. Equivalent to the net assets transferred, SMB issued the Parent Company 15,308,416,960 shares under a tax-free asset-for-share arrangement as confirmed by the BIR on October 9, 2007.

h. In October 2007, SMPI and SMCRP entered into a subscription agreement pursuant to which SMPI and SMCRP agreed to subscribe, subject to certain terms and conditions, to the unissued and unsubscribed common shares of capital stock of BOC, equivalent to 34% stake for ₱2,000 million, with SMPI holding approximately 30% and SMCRP at approximately 4%. As of December 31, 2007, SMPI have paid ₱500 million to BOC.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

OTHER RECEIVABLES

The Parent Company has outstanding advances to SMCRP amounting to ₱35,721 million as of December 31, 2007, (presented under "Trade and other receivables" in the consolidated balance sheets) subject to interest rate of 6.5% p.a. SMCRP used the proceeds of the advances mainly for the purchase of the Parent Company's common shares.

A more detailed discussion of this transaction is presented in Note 8 of the attached Notes to the Consolidated Financial Statements.

BORROWINGS

To have the needed flexibility in its financial ratio covenants, the Parent Company refinanced a portion of its short-term loans and the remaining balance of its US$ and Peso-denominated long-term loan with a new unsecured US$1,200 million term loan facility in September 2007.

MATERIAL CHANGES PER LINE OF ACCOUNT

2008 vs. 2007

Cash and cash equivalents increased by 25% from ₱93,281 million in 2007 to ₱116,939 million in 2008 primarily due to the collection of advances to a related party, proceeds from sale of investments in: J. Boag; SM Brewery shares ; 35% stake in packaging business and KSA shares; partly offset by loan and dividend payments, and investment made in the shares of stock of Meralco and BOC.

Receivables decreased by ₱11,065 million from ₱61,879 million in 2007 mainly due to collection of advances to a related party, and collection of receivables of the Parent Company's Agribusiness Division, net of increase in advances to suppliers.

The increase in inventories of ₱3,858 million from ₱23,852 million in 2007 is primarily attributed to the increasing costs of major raw materials such as wheat, corn, soy bean meal, cassava, oils and cheese curd of the Food Group and of malt and hops of SMB, and higher production volume of GSMI.

Current biological assets increased by 26% to ₱2,932 million in 2008 due to increase in volume of growing poultry livestock and goods in process coupled with higher feed costs of broilers and hogs.

Assets held for sale, liabilities directly associated with assets held for sale and amounts recognized directly in equity relating to assets held for sale were reversed as a result of the completion of the sale of J. Boag and KSA in January 2008.

Investments increased from ₱771 million to ₱32,253 million in 2008 mainly due to investments made in the stocks of Meralco and BOC.

Property, plant and equipment increased by ₱3,958 million from ₱64,355 million in 2007 due to various capital expenditures (i.e., on-going expansion of SMGB and multi-product beverage plant in China and Vietnam; installation of new bottling line for the non-alcoholic beverages, SMCSL's acquisition of two barges and two tug boats; construction of Sumilao hog farm; rehabilitation of pier facility in Tabangao and renovation of Hormel's Cavite plant and capacity expansion of Rightpack and upgrade of various plant machineries of GSMI and SMYAC) net of depreciation and disposals for the year.

Investment properties increased by 12% from ₱1,648 million in 2007 mainly due to reclassification of the Parent Company's Agribusiness Division's property and equipment to investment properties and additional foreclosed properties of SMPFC from its dealers, net of disposal and amortization.

Noncurrent biological assets increased by 38% to ₱1,814 million due to the start of operations of the Sumilao farm in 2008 and the increase in volume of Monterey and Poultry's breeding stocks coupled with higher growing costs.

Other intangible assets increased by ₱610 million from ₱3,202 million in 2007 due to reclassification of certain land and land improvements to land used rights by San Miguel

Guangdong Food and Beverage Corp., and additional computer software (SAP and Microsoft) of PF Hormel and SMB, net of amortization.

Deferred tax assets increased by 54% from ₱4,973 million in 2007 to ₱7,399 million in 2008 due to the effect of recognition of deferred tax on: a.) marked-to-market losses, b.) inventory obsolescence of SMB and additional set-up of NOLCO and MCIT.

Drafts and loans payable increased by 10% from ₱44,231 million in 2007 mainly due to net availments for working capital requirements.

Accounts payable and accrued expenses increased by 15% from ₱20,311 million in 2007 mainly due to increase in derivative liabilities and increase in trade payables mostly on imported raw materials as a result of price increases.

Income and other taxes payable increased by ₱1,102 million to ₱4,429 million in 2008, mainly due to higher income tax due.

Dividends payable increased by 5% mainly due to higher dividends declared in 2008 compared to 2007.

Long-term debt decreased by 11% from ₱55,834 million in 2007 to ₱49,763 million in 2008 mainly due to partial payments made during the year, net of amortization of debt issue costs.

Deferred tax liabilities increased by 40% mainly due to the set up of deferred income tax on the gain from sale of J. Boag.

Other noncurrent liabilities increased by ₱25,235 million from ₱456 million in 2007 mainly due to the unpaid balance on the acquisition of the investment in shares of stock of Meralco.

Non-controlling interests increased by 62% from ₱11,329 million in 2007, mainly due to the recognition of additional non-controlling interests as a result of the sale of 35% stake in the domestic and regional packaging businesses to NYG and 5.75% stake in SM Brewery.

The increase in equity in 2008 is due to:

(In millions)	2008
Income during the period	₱20,083
Increase in non-controlling interests	6,751
Issuance of capital stock and stock options	256
Effect of translation adjustments	(34)
Cash dividends	(4,925)
	₱22,131

2007 vs. 2006

Cash and cash equivalents increased by ₱69,001 million mainly due to proceeds from sale of SMFAH, its Australian dairy and juice business.

Trade and other receivables increased by 44% due to the following: (a) increase in non-trade receivable mainly due to advances to the SMC Retirement Plan; (b) remaining balance of the proceeds from the sale of CCBG; (c) net of decrease in trade receivables due to the deconsolidation of CCBG and SMFAH balances and (d) reclassification of SMAH balances to assets held for sale.

Inventories decreased by ₱ 18,698 million from ₱ 42,550 million in 2006 due to the deconsolidation of CCBG and SMFAH, lower finished goods inventory of packaging group and lower alcohol inventories and packaging materials of GSMI.

Current biological assets increased by 24% to ₱2,324 million due to the increase in volume of livestock (poultry and hogs) and higher feed costs.

Prepaid expenses and other current assets increased by 8% to ₱5,677 million in 2007 due to increase in derivative assets and prepaid insurance, net of decrease due to the deconsolidation of CCBG and SMFAH balances and reclassification of J. Boag's prepaid expenses to assets held for sale.

Assets held for sale pertains to the total assets of J. Boag amounting to ₱5,324 million and carrying value of investment in shares of stock of KSA amounting to ₱468 million.

Investments and advances decreased by ₱5,218 million from ₱5,989 million in 2006 mainly due to the sale of the equity holdings and other interest in Del Monte Pacific, Ltd., and reclassification of investment in shares of stock of KSA to assets held for sale.

Property, plant and equipment decreased by ₱33,631 million from ₱97,986 million in 2006 as a result of the (a) deconsolidation of CCBG and SMFAH balances; (b) reclassification of ₱1,572 million J. Boag's properties to assets held for sale; (c) impairment of SMB Hong Kong's plant and equipment; and (d) reclassification of certain idle assets of SMPSI.

Investment properties decreased by 6% mainly due to the lower value of properties in SMBIL as a result of changes in foreign exchange rates and amortizations for the year.

Noncurrent biological assets increased by 5% to ₱1,319 million in 2007 mainly due to the effect of changes in foreign exchange rate to the revaluation of San Miguel Pure Foods (VN) Co. Ltd.’s assets.

Goodwill decreased by 93% from ₱72,899 million in 2006 to ₱5,348 million in 2007 mainly due to deconsolidation of CCBPI and SMFAH balances and reclassification of SMAH balance to Assets held for sale.

Other intangible assets decreased by 89% mainly due to deconsolidation of the balances of CCBG and SMFAH amounting to ₱22,597 million and reclassification of J. Boag's intangible assets to assets held for sale.

Deferred tax assets decreased by 28% from ₱6,871 million in 2006 due to deconsolidation of CCBG and SMFAH balances net of Parent Company's deferred tax on its net operating loss carry over (NOLCO) for the year.

Other noncurrent assets decreased by 14% from ₱15,952 million in 2006 to ₱13,688 million in 2007 mainly due to deconsolidation of CCBG and SMFAH balances, net of the noncurrent receivables for the sale of CCBPI and NSMH shares.

Accounts payable and accrued expenses decreased by ₱ 19,191 million in 2007 due to deconsolidation of CCBG and SMFAH balances, net of increase in derivative liabilities.

Income and other taxes payable increased by ₱312 million to ₱3,327 million in 2007 mainly due to higher VAT and income tax payable of SMPFC.

Dividends payable increased by ₱1,176 million due to cash dividend declaration in the fourth quarter.

Liabilities directly associated with noncurrent assets classified as held for sale pertains to the total liabilities of J. Boag.

Long-term debt decreased by ₱40,081 million from ₱95,915 million in 2006 mainly due to deconsolidation of CCBG and SMFAH balances net of availments of the Parent Company, SMY Asia, SMFBIL, SMB Hong Kong and GSMI and the effect of the lower US dollar exchange rate.

Deferred tax liabilities decreased by 5% from ₱13,434 million in 2006 to ₱12,721 million in 2007 due to deconsolidation of CCBG and SMFAH balances.

Other noncurrent liabilities decreased by ₱1,701 million to ₱456 million in 2007 mainly due to deconsolidation of SMFAH balances.

Non-controlling interests decreased by 48% mainly due to the deconsolidation of CCBG.

The decrease in equity in 2007 is due to:

(In millions)	2007
Net income for the year	₱8,351
Issuance of capital stock and stock options	761
Effect of translation adjustments	257
Amount recognized directly in equity relating to assets held for sale	37
Non-controlling interest associated with discontinued operations	(8,824)
Cash dividends	(4,528)
Reduction in non-controlling interests	(1,058)
	(₱5,004)

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2008	2007	2006
		(In Millions)	
Net cash flows from operating activities	₱7,052	₱30,303	₱17,289
Net cash flows provided by (used in) investing activities	31,898	39,535	(16,679)
Net cash flows provided by (used in) financing activities	(13,868)	1,472	3,537

Net cash from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash provided by (used in) investing activities included the following:

	December 31		
	2008	2007	2006
		(In Millions)	
Acquisition of subsidiaries, net of cash acquired	**₱-**	₱-	(₱4,981)
Additions to investments and advances	**(6,667)**	-	(3)
Additions to property, plant and equipment	**(6,437)**	(9,310)	(12,593)
Proceeds from sale of investments and property and equipment	**13,663**	6,269	2,741
Proceeds from sale of discontinued operations, net of cash disposed of	**9,083**	90,684	-
Interest received	**6,558**	2,374	3,015
Payment by (advances to) a related party	**31,708**	(35,721)	-
Increase in other noncurrent assets and others	**(16,010)**	(14,820)	(4,931)
Dividends received	**-**	59	73

Major components of cash flow provided by financing activities are as follows:

	December 31		
	2008	2007	2006
		(In Millions)	
Proceeds from short-term borrowings	**₱608,756**	₱345,789	₱232,386
Payments of short-term borrowings	**(605,088)**	(337,512)	(222,865)
Proceeds from long-term borrowings	**64**	84,398	17,354
Payments of long-term borrowings	**(13,336)**	(88,342)	(19,892)
Cash dividends paid	**(4,856)**	(3,351)	(4,526)
Increase in non-controlling interests	**592**	-	480
Issuance of capital stocks	**-**	490	600

The effect of exchange rate changes on cash and cash equivalents amounted to (₱1,424 million), (₱1,016 million) and (₱743 million) in December 31, 2008, 2007 and 2006 respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	December 31	
	2008	2007
	(In Millions)	
Accumulated equity in net earnings of subsidiaries and associates (included in the unappropriated retained earnings balance)	**₱57,482**	₱44,199
Treasury stock	**(4,053)**	(4,053)

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II "Results of Operations" of the MD & A for the discussion of the computed certain Key Performance Indicators.

	December 31	
	2008	2007
Liquidity:		
Current Ratio	**2.35**	2.60
Solvency:		
Debt to Equity Ratio	**1.02**	0.97
Profitability:		
Return on Average Equity Attributable to Equity Holders of t the Parent Company	**13.59%**	6.53%
Operating Efficiency:		
Volume Growth	**4%**	5%
Revenue Growth	**14%**	10%

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Non-current)}}{\text{Non-controlling Interest + Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior period Net Sales}}\right)$ -1
Revenue Growth	$\left(\frac{\text{Current period Net Sales}}{\text{Prior Period Net Sales}}\right)$ -1

VII. OTHER MATTERS

a. Subsequent Events

Sale of Assets

On January 27, 2009, the Parent Company's BOD approved the sale of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to SMB, through the sale of all its interests in IBI, to which the Parent Company transferred the IP Rights pursuant to a Deed of Assignment of Domestic Intellectual Property Rights dated December 16, 2008 as supplemented by a Supplement to the Deed of Assignment of Domestic Intellectual Property Rights dated January 23, 2009 executed between IBI and the Parent Company, in exchange for common shares in IBI to SMB. The BOD of SMB approved on the same date, the purchase of the IP Rights through the purchase of all of the Parent Company's interests in IBI after the completion of such transfer to IBI by the Parent Company of the IP Rights to IBI. The price is P32,000 million.

On the same date, the BOD of the Parent Company likewise approved the sale of the parcels of land used in domestic beer operations, partly to Brewery Land Holdings, Inc. (BLI), a wholly-owned subsidiary of San Miguel Brewery Retirement Plan (SMBRP) at P239 million, and the rest to SMB by the sale of all its interests in BPI, to which the rest of such parcels of land will be transferred.

SMB's BOD also approved on January 27, 2009, the purchase of all the interests of the Parent Company in BPI after completion of the transfer by Parent Company of the said parcels of land to BPI in exchange for BPI common shares and after SMBRP has transferred its shares in BLI to BPI in exchange for BPI preferred shares. The purchase price will be at the appraised value of the land transferred by the Parent Company to BPI amounting to P6,829 million. The proposed acquisitions will be financed by SMB through borrowings.

The sale by the Parent Company of its interests in IBI and BPI will be implemented after obtaining all the required approvals from the appropriate regulatory agencies.

On January 28, 2009, the BOD of BPI approved the increase in the par value of its common shares from P100 to P350 and the increase in its authorized capital stock from P1 divided into 10,000 shares with a par value of P100 per share to P800 divided into 2,400,000 preferred shares and 1,600,000 common shares with a par value of P100 and P350 per share, respectively.

On February 27, 2009, the SEC approved the transfer of the Parent Company's IP rights to IBI and the increase in the authorized capital stock of IBI. Shares totaling 100,000,000 were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the Bureau of Internal Revenue (BIR) in its certification No. SN-405-2008 dated December 24, 2008.

Pursuant to the approvals of the BOD of BPI and the Parent Company, a Master Deed of Assignment of Land dated March 12, 2009 as superseded by a Master Deed of

Assignment of Land dated March 25, 2009 was filed with SEC in connection with BPI's application for increase in its par value of common shares and authorized capital stock.

As of March 26, 2009, the application for increase in the par value of BPI's common share and authorized capital stock and the transfer by the Parent Company of certain parcels of land used in the domestic beer business to BPI are still pending approval of the SEC.

SMB Bond Issuance

Pursuant to an order by the SEC rendering SMB's registration statement effective and the permit to offer securities for sale issued by the SEC, both dated March 17, 2009, SMB offered for sale and subscription to the public Philippine peso-denominated fixed rate bonds in the aggregate principal amount of P38,800 (Bonds) Series A Bonds with the aggregate principal amount of P13,590 million having a term of 3 years beginning on Issue Date and ending on April 3, 2012, with a fixed interest rate of 8.250% per annum; Series B Bonds with an aggregate principal amount of P22,400 having a term of 5 years and 1 day beginning on Issue Date and ending on April 4, 2014, with a fixed interest rate of 8.875% per annum; and Series C Bonds with an aggregate principal amount of P2,810 million having a term of 10 years beginning on Issue Date and ending on April 3, 2019, with a fixed interest rate of 10.50% per annum. Proceeds from the issuance of the bonds will be used to finance SMB's acquisition of the interests of the Parent Company in IBI and BPI. The offer period for the Bonds is from March 18 to March 27, 2009, and issue date is on April 3, 2009.

Sale of SMB Shares

On February 20, 2009, the Parent Company signed a share purchase agreement for the acquisition by Kirin Holdings Company, Limited ("Kirin"), of a 43.249% stake in SMB. Under the terms of the agreement, purchase price of the shares amounts to P8.841 per share, implying a total acquisition price at P58,924 million. Further to the agreement, the Parent Company, Kirin and SMB will undertake to negotiate exclusively for SMB's potential purchase of shares in SMC's overseas beer business. The exclusivity period is for six months following SMC's offer to sell the shares in its overseas beer business.

Parent Company Loan Availment

On February 17, 2009, the Parent Company issued floating rate notes amounting to P1,000 million. The net proceeds of the term loan facility will be used by the Parent Company for general financing and corporate requirements.

b. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the BIR for deficiency excise tax on one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Parent Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA, under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it. An independent Certified Public Accountant commissioned by the CTA to conduct an examination, verification and audit to validate the documents supporting the claim for refund has submitted a report stating, among other things, that the claim is properly supported by the relevant documents.

On November 27, 2007, the Parent Company filed with the CTA, under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. An independent Certified Public Accountant was likewise commissioned by the CTA in this case for the purpose of conducting an examination, verification and audit of the documents supporting the aforesaid claim. In a report recently submitted to the CTA, the independent CTA stated that the second claim is properly supported by the relevant documents.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing to the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 "in order to obviate the necessity of issuing a Warrant of Distraint and Garnishment and/or Levy". The Parent Company's external counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distraint and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company's pending claims for refund. As of March 26, 2009, the BIR has taken no further action on the matter.

c. Option Agreement with Sea Refinery Holdings B.V. (SEA BV)

On December 24, 2008, the Parent Company entered into an option agreement with SEA BV pursuant to which SEA BV granted to the Parent Company an option to acquire and purchase up to 100% of its interests in SEA BV's wholly-owned subsidiary, SEA Refinery Corporation (SRC), consisting of 40,000,000 shares of stock with a par value of P1 per share (Option Shares). SRC owns 50.1% stake in Philippine oil refinery, Petron Corporation. The option may be exercised by the Parent Company within a period of two (2) years from December 24, 2008. The exercise price for the Option Shares will be the sum of (a) the paid-up capital of SEA BV in SRC amounting to P40 and (b) the value of the shares acquired by SRC in Petron Corporation plus the assumption of, if any, liability or obligation and expenses incurred by SRC for the acquisition of the said shares. The Parent Company and SEA BV have agreed that the Parent Company shall have representation in the board and management of Petron Corporation.

d. Commitments

The outstanding purchase commitments of the Group as of December 31, 2008 amounted to ₱20,656 million.

Amount authorized but not yet disbursed for capital projects as of December 31, 2008 is approximately ₱7,571 million.

e. Memorandum of Understanding with Qatar Telecom

On December 8, 2008, the Parent Company's BOD allowed management to pursue a joint venture partnership with Qatar Telecom QSC (QTel) to look into opportunities in the wireless broadband, mobile and mobile broadband businesses in the Philippines. QTel is an integrated telecommunications player based in Qatar, and a majority owned by the State of Qatar.

On December 15, 2008, the Parent Company signed a memorandum of understanding with QTel to partner in wireless broadbank and mobile communications projects in the Philippines. The Parent Company is in talks with QTel for a possible investment in Liberty Telecoms Holdings Inc.

f. Authority to Invest Corporate Funds and /or Engage in Other Businesses

On July 24, 2007, the shareholders authorized the Parent Company to invest corporate funds and/or engage in new businesses like power generation or transmission, water, other utilities, mining and infrastructure. Together with the core business of food, beverage and packaging - which will form the bulk of the portfolio - these new businesses aim to provide better aggregate growth margins and a stronger growth platform moving forward.

g. Restructuring Plan

At the annual stockholders' meeting held on July 24, 2008, the stockholders authorized (i) the Parent Company to pursue and implement a corporate restructuring plan which may require, among others, the divestment of the Parent Company's interest in its major subsidiaries, such as beer, food and packaging subsidiaries, with the Parent Company retaining controlling interests/ownership of at least 51% in each of these major subsidiaries, and (ii) the Board of Directors to approve the implementing transactions of such corporate restructuring plan after evaluation and study by Management, subject to applicable laws.

h. The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of ₱47.52 in 2008 and ₱41.28 in 2007 for balance sheet accounts; and average rates of ₱44.47 in 2008, P46.18 in 2007 and ₱51.32 in 2006 for income and expense accounts.

i. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

j. There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

k. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

l. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

m. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual balance sheet date, except for Note 21 (c) of the 2008 Audited Consolidated Financial Statements and Note b of Section VII above, that remain outstanding as of December 31, 2008. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

n. There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period December 31, 2008.

o. The effects of seasonality or cyclicality on the interim operations of the Groups's businesses are not material.

ANNEX “E”

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008, 2007 and 2006

SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Corporation is responsible for all information and representations contained in the consolidated financial statements which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's Audit Committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

Manabat Sanagustin & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the stockholders.

-Out-of-the-Country-
EDUARDO M. COJUANGCO, JR.
Chairman and Chief Executive Officer

RAMON S. ANG
President and Chief Operating Officer

FERDINAND K. CONSTANTINO
Senior Vice President and
Chief Finance Officer / Treasurer

SUBSCRIBED AND SWORN to before me this APR 15 2009 day of April 15, 2009, affiant exhibiting to me their passports, as follows:

Name	Passport No.	Date & Place of Issue
FERDINAND K. CONSTANTINO	XX0167306	11-24-07 / Manila
RAMON S. ANG	ZZ202387	12-20-06 / Manila

known to me and to me known to be the same person who executed the foregoing instrument and who acknowledged to me that the same is their own free and voluntary act and deed and that of the corporation they represent.

WITNESS MY HAND AND SEAL this APR 15 2009 at Mandaluyong City.

MADALLA S. BAUN
Commission No. 0223-09
Notary Public for Mandaluyong City
Until Dec. 31, 2010
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 45349
PTR No. 0384071; 1/5/09; Mandaluyong City
IPB NO. 763641; 11/26/08; Makati City

Doc. No. 182;
Page No. 38;
Book No. II;
Series of 2009.

Manabat Sanagustin & Co.
Certified Public Accountants
The KPMG Center, 9/F
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PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

The Stockholders and the Board of Directors
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited the accompanying consolidated financial statements of San Miguel Corporation and Subsidiaries which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Manabat Sanagustin & Co., certified public accountants, a professional partnership established under Philippine law, is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of San Miguel Corporation and Subsidiaries as of December 31, 2008 and 2007, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2008, in accordance with Philippine Financial Reporting Standards.

MANABAT SANAGUSTIN & CO.

JORGE MA. S. SANAGUSTIN
Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-2
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2007
Issued July 10, 2007; Valid until July 9, 2010
PTR No. 1564070MB
Issued January 5, 2009 at Makati City

March 26, 2009
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Millions)

		December 31	
	Note	**2008**	2007
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 36, 37*	**P116,939**	P93,281
Trade and other receivables - net	*4, 8, 36, 37*	**50,814**	61,879
Inventories - net	*4, 9*	**27,710**	23,852
Current portion of biological assets - net	*4, 13*	**2,932**	2,324
Prepaid expenses and other current assets	*31, 36, 37*	**5,868**	5,677
		204,263	187,013
Assets held for sale	*6, 10*	**-**	5,792
Total Current Assets		**204,263**	192,805
Noncurrent Assets			
Investments and advances - net	*4, 10, 36, 37*	**32,253**	771
Property, plant and equipment - net	*4, 11, 28*	**68,313**	64,355
Investment properties - net	*4, 12*	**1,838**	1,648
Biological assets - net of current portion	*4, 13*	**1,814**	1,319
Goodwill - net	*2, 4, 10, 14, 28*	**5,201**	5,348
Other intangible assets - net	*4, 14*	**3,812**	3,202
Deferred tax assets	*4, 20*	**7,638**	4,973
Other noncurrent assets - net	*4, 10, 15, 28, 31, 36, 37*	**14,241**	13,688
Total Noncurrent Assets		**135,110**	95,304
		P339,373	P288,109
LIABILITIES AND EQUITY			
Current Liabilities			
Drafts and loans payable	*16, 36, 37*	**P48,560**	P44,231
Accounts payable and accrued expenses	*17, 31, 36, 37*	**23,292**	20,311
Income and other taxes payable	*20*	**4,429**	3,327
Dividends payable	*32*	**1,563**	1,494
Current maturities of long-term debt - net of debt issue costs	*19, 36, 37*	**9,044**	1,222
		86,888	70,585
Liabilities directly associated with assets held for sale	*6*	**-**	3,642
Total Current Liabilities		**86,888**	74,227

Forward

		December 31	
	Note	**2008**	2007
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*19, 36, 37*	**P40,719**	P54,612
Deferred tax liabilities	*20*	**17,851**	12,721
Other noncurrent liabilities	*30, 31, 36, 37*	**25,691**	456
Total Noncurrent Liabilities		**84,261**	67,789
Equity	*21, 32, 35*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**16,112**	16,109
Additional paid-in capital		**31,183**	30,930
Revaluation increment		**18**	18
Cumulative translation adjustments		**4,837**	4,834
Retained earnings:			
Appropriated for expansion projects		**5,522**	6,034
Unappropriated		**96,298**	80,855
Treasury stock		**(4,053)**	(4,053)
		149,917	134,727
Amounts recognized directly in equity relating to assets held for sale	*6*	**-**	37
		149,917	134,764
Non-controlling Interests		**18,307**	11,329
Total Equity		**168,224**	146,093
		P 339,373	P288,109

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(In Millions, Except Per Share Data)

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
SALES		**P168,041**	P148,022	P135,095
COST OF SALES	*22*	**124,072**	110,062	99,563
GROSS PROFIT		**43,969**	37,960	35,532
SELLING AND ADMINISTRATIVE EXPENSES	*23*	**(29,151)**	(26,333)	(22,654)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*16, 19, 26*	**(6,032)**	(7,117)	(7,097)
INTEREST INCOME	*27*	**6,630**	2,087	2,763
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES	*6, 10*	**(1,132)**	164	56
GAIN ON SALE OF INVESTMENTS AND PROPERTY, PLANT AND EQUIPMENT	*6, 10, 11*	**8,746**	2,224	245
OTHER INCOME (CHARGES) - Net	*28*	**(2,262)**	3,614	3,192
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**20,768**	12,599	12,037
INCOME TAX EXPENSE	*20*	**6,098**	4,520	3,947
INCOME FROM CONTINUING OPERATIONS		**14,670**	8,079	8,090
INCOME AFTER INCOME TAX FROM DISCONTINUED OPERATIONS	*6*	**5,413**	272	1,809
NET INCOME		**P20,083**	P8,351	P9,899
Attributable to:				
Equity holders of the Parent Company		**P19,348**	P8,630	P10,306
Non-controlling interests		**735**	(279)	(407)
		P20,083	P8,351	P9,899
Earnings Per Share From Continuing Operations, attributable to equity holders of the Parent Company	*33*			
Basic		**P4.41**	P2.59	P2.51
Diluted		**P4.40**	P2.58	P2.50

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(In Millions)

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax from continuing operations		**P20,768**	P12,599	P12,037
Income (loss) before income tax from discontinued operations	*6*	**(19)**	2,681	2,822
Gain (loss) from disposal of discontinued operations	*6*	**5,425**	(1,235)	-
Income before income tax		**26,174**	14,045	14,859
Adjustments for:				
Depreciation, amortization and others - net	*5*	**9,677**	11,140	11,875
Interest expense and financing charges	*6, 26*	**6,032**	10,101	10,762
Interest income		**(6,630)**	(2,404)	(2,994)
Equity in net losses (earnings) of associates	*10*	**1,132**	(246)	(170)
Loss (gain) from disposal of discontinued operations	*6*	**(5,425)**	1,235	-
Gain on sale of investments and property and equipment		**(8,746)**	(2,219)	(272)
Operating income before working capital changes		**22,214**	31,652	34,060
Changes in noncash current assets, certain current liabilities and others	*34*	**(1,288)**	15,205	822
Cash generated from operations		**20,926**	46,857	34,882
Interest paid		**(6,039)**	(10,353)	(12,698)
Income taxes paid		**(7,835)**	(6,201)	(4,895)
Net cash flows provided by operating activities		**7,052**	30,303	17,289
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	*34*	**-**	-	(4,981)
Additions to investments and advances		**(6,667)**	-	(3)
Additions to property, plant and equipment	*11*	**(6,437)**	(9,310)	(12,593)
Increase in other noncurrent assets and others		**(16,010)**	(14,820)	(4,931)

Forward

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Payment by (advances to) a related party	*8, 29*	**P31,708**	(P35,721)	P -
Proceeds from sale of investments and property and equipment		**13,663**	6,269	2,741
Proceeds from disposal of discontinued operations, net of cash and cash equivalents disposed of	*6*	**9,083**	90,684	-
Interest received		**6,558**	2,374	3,015
Dividends received		**-**	59	73
Net cash flows provided by (used in) investing activities		**31,898**	39,535	(16,679)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		**608,756**	345,789	232,386
Long-term borrowings		**64**	84,398	17,354
Payments of:				
Short-term borrowings		**(605,088)**	(337,512)	(222,865)
Long-term borrowings		**(13,336)**	(88,342)	(19,892)
Cash dividends paid	*32*	**(4,463)**	(3,228)	(4,369)
Issuances of capital stock	*21, 35*	**-**	490	600
Dividends paid to non-controlling shareholders		**(393)**	(123)	(157)
Increase in non-controlling interests		**592**	-	480
Net cash flows provided by (used in) financing activities		**(13,868)**	1,472	3,537
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(1,424)**	(1,016)	(743)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**23,658**	70,294	3,404
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**93,281**	24,280	20,876
CASH AND CASH EQUIVALENTS ASSOCIATED TO ASSETS HELD FOR SALE	*6, 7*	**-**	(1,293)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P116,939**	P93,281	P24,280

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company								Non-controlling Interests	Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total		
At January 1, 2008		**P16,109**	**P30,930**	**P18**	**P4,871**	**P6,034**	**P80,855**	**(P4,053)**	**P134,764**	**P11,329**	**P146,093**
Changes in the fair value of cash flow hedges, net of tax		-	-	-	**(218)**	-	-	-	**(218)**	-	**(218)**
Net effect of translation adjustments		-	-	-	**184**	-	-	-	**184**	-	**184**
Net income for the year		-	-	-	-	-	**19,348**	-	**19,348**	**735**	**20,083**
Total income and expense for the year		-	-	-	**(34)**	-	**19,348**	-	**19,314**	**735**	**20,049**
Issuances of capital stock	*21, 35*	**3**	-	-	-	-	-	-	**3**	-	**3**
Stock options	*35*	-	**253**	-	-	-	-	-	**253**	-	**253**
Addition in non-controlling interests		-	-	-	-	-	-	-	-	**6,751**	**6,751**
Appropriations - net	*21*	-	-	-	-	**(512)**	**512**	-	-	-	-
Cash dividends	*32*	-	-	-	-	-	**(4,417)**	-	**(4,417)**	**(508)**	**(4,925)**
At December 31, 2008	*21*	**P16,112**	**P31,183**	**P18**	**P4,837**	**P5,522**	**P96,298**	**(P4,053)**	**P149,917**	**P18,307**	**P168,224**

Forward

		Equity Attributable to Equity Holders of the Parent Company								Non-controlling Interests	Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total		
At January 1, 2007		P16,067	P30,211	P18	P4,577	P6,036	P76,637	(P4,053)	P129,493	P21,604	P151,097
Changes in the fair value of cash flow hedges, net of tax		-	-	-	162	-	-	-	162	-	162
Net effect of translation adjustments		-	-	-	95	-	-	-	95	-	95
Net income for the year		-	-	-	-	-	8,630	-	8,630	(279)	8,351
Total income and expense for the year		-	-	-	257	-	8,630	-	8,887	(279)	8,608
Issuances of capital stock	*21, 35*	42	461	-	-	-	-	-	503	-	503
Stock options	*35*	-	258	-	-	-	-	-	258	-	258
Reduction in non-controlling interests		-	-	-	-	-	-	-	-	(1,058)	(1,058)
Non-controlling interests associated with discontinued operations	*6*	-	-	-	-	-	-	-	-	(8,824)	(8,824)
Appropriations - net	*21*	-	-	-	-	(2)	2	-	-	-	-
Cash dividends	*32*	-	-	-	-	-	(4,414)	-	(4,414)	(114)	(4,528)
	21	16,109	30,930	18	4,834	6,034	80,855	(4,053)	134,727	11,329	146,056
Amounts recognized directly in equity relating to assets held for sale	*6*	-	-	-	37	-	-	-	37	-	37
At December 31, 2007		P16,109	P30,930	P18	P4,871	P6,034	P80,855	(P4,053)	P134,764	P11,329	P146,093

Forward

		Equity Attributable to Equity Holders of the Parent Company								Non-controlling Interests	Total Equity
	Note	Capital Stock	Additional Paid-in Capital	Revaluation Increment	Cumulative Translation Adjustments	Retained Earnings Appropriated	Retained Earnings Unappropriated	Treasury Stock	Total		
At January 1, 2006,		P16,031	P29,647	P18	P5,619	P6,087	P69,581	(P4,053)	P122,930	P14,013	P136,943
Changes in the fair value of cash flow hedges, net of tax		-	-	-	18	-	-	-	18	-	18
Net effect of translation adjustments		-	-	-	(1,060)	-	-	-	(1,060)	-	(1,060)
Net income for the year		-	-	-	-	-	10,306	-	10,306	(407)	9,899
Total income and expense for the year		-	-	-	(1,042)	-	10,306	-	9,264	(407)	8,857
Issuances of capital stock	*21, 35*	36	376	-	-	-	-	-	412	-	412
Stock options	*35*	-	188	-	-	-	-	-	188	-	188
Addition in non-controlling interests		-	-	-	-	-	-	-	-	1,234	1,234
Reclassification of redeemable preferred shares to equity	*18*	-	-	-	-	-	-	-	-	6,917	6,917
Appropriations - net	*21*	-	-	-	-	(51)	51	-	-	-	-
Cash dividends	*32*	-	-	-	-	-	(3,301)	-	(3,301)	(153)	(3,454)
At December 31, 2006	*21*	P16,067	P30,211	P18	P4,577	P6,036	P76,637	(P4,053)	P129,493	P21,604	P151,097

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

San Miguel Corporation (SMC or Parent Company) was incorporated in the Philippines. The consolidated financial statements as at and for the year ended December 31, 2008 comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE). The Group is primarily engaged in the production, processing and marketing of beverage, food and packaging products. The Group is also engaged in the management and development of real estate properties. The Parent Company is also authorized to invest corporate funds and/or engage in the power generation/transmission, water and other utilities, mining and infrastructure business. The registered office address of the Parent Company is No. 40 San Miguel Avenue, Mandaluyong City.

The consolidated financial statements as at and for the year ended December 31, 2008 were authorized for issue by the Board of Directors (BOD) on March 26, 2009.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for the following:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- agricultural produce are measured at fair value less estimated point-of-sale costs.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest million (P000,000), except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Philippine interpretations from International Financial Reporting Interpretation Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its Subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership	Country of Incorporation
Beverage Business:		
San Miguel Brewery Inc. (SMB)[a]	94.25	Philippines
San Miguel Brewing International Ltd. and subsidiaries [including San Miguel Brewery Hong Kong Limited (SMBHK), PT Delta Djakarta Tbk (PT-Delta), San Miguel Bada (Baoding) Utility Co. Ltd. (SMBB), San Miguel (Baoding) Brewery Co. Ltd., San Miguel Brewery Vietnam Ltd. (SMBV) and San Miguel Beer (Thailand) Ltd. (SMHT)]	100.00	British Virgin Islands (BVI)
Ginebra San Miguel, Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc. and Ginebra San Miguel International, Ltd. (GSMIL)]	79.53	Philippines
San Miguel Beverages, Inc. (SMBI)[d]	100.00	Philippines
San Miguel (Thailand) Co. Ltd.	100.00	Thailand
San Miguel (Guangdong) Foods & Beverages Co. Ltd.	100.00	China
San Miguel (Vietnam) Co. Ltd.	100.00	Vietnam
PT San Miguel Marketing Indonesia	100.00	Indonesia
PT San Miguel Indonesia Foods & Beverages	93.75	Indonesia
San Miguel (Malaysia) Sdn Bhd	100.00	Malaysia
San Miguel Australia Holdings Ltd. (SMAH) and subsidiary, J. Boag & Son Pty Ltd. (J. Boag)[b,c]	100.00	Australia
Food Business:		
San Miguel Foods and Beverage International Limited (SMFBIL) and subsidiaries [including San Miguel Pure Foods Investment (BVI) Limited (SMPFI) and San Miguel Pure Foods (Vn) Co. Ltd. (SMPFVN)]	100.00	BVI
Star Dari, Inc. (SDI)	100.00	Philippines
San Miguel Pure Foods Company, Inc. (SMPFC)[f] and subsidiaries [including San Miguel Foods, Inc. (SMFI), San Miguel Mills, Inc. (SMMI), The Purefoods-Hormel Company, Inc., Magnolia Inc. (Magnolia), San Miguel Super Coffeemix Co., Inc. (SMSCCI), Monterey Foods Corporation (MFC)[g], RealSnacks Mfg. Corporation (RealSnacks)[b,e] and P.T. San Miguel Pure Foods Indonesia Ltd. (PTSMPFI)[b]]	99.92	Philippines
Packaging Business:		
San Miguel Yamamura Packaging Corporation (SMYPC)[i, m] and subsidiary, San Miguel Yamamura Fuso Molds Corporation (SYFMC)[j]	65.00	Philippines
San Miguel Yamamura Packaging International Limited (SMYPIL)[i, n] and subsidiaries including San Miguel Yamamura Haiphong Glass Co. Ltd. (SMYHG), San Miguel Yamamura Phu Tho Packaging Co. Ltd. (SMYPTPCL)[o], Zhaoqing San Miguel Yamamura Glass Co., Ltd.[p], Foshan San Miguel Yamamura Packaging Co. Ltd. (FSMYPC)[q], PT San Miguel Sampoerna Packaging Industries Ltd. (PTSMSPIL), San Miguel Yamamura Packaging & Printing Sdn. Bhd.[r], San Miguel Yamamura Woven Products Sdn. Bhd.[s], San Miguel Packaging Research Center Sdn. Bhd. and San Miguel Plastic Films Sdn. Bhd. (SMPF)]	65.00	BVI
Mindanao Corrugated Fibreboard, Inc. (Mincorr)[b]	73.33	Philippines

Forward

	Percentage of Ownership	Country of Incorporation
San Miguel Rengo Packaging Corporation (SMRPC)[(b)]	70.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC)	60.00	Philippines
Real Estate Business:		
San Miguel Properties, Inc. (SMPI) and subsidiaries [(b)]	99.68	Philippines
Brewery Properties, Inc. (BPI) [(k)]	100.00	Philippines
Others:		
SMC Stock Transfer Service Corporation	100.00	Philippines
ArchEn Technologies, Inc.	100.00	Philippines
SMITS, Inc.[(b)]	100.00	Philippines
SM Bulk Water Company Inc.	100.00	Philippines
San Miguel Energy Corporation [(e)]	100.00	Philippines
Iconic Beverages, Inc. (IBI) [(k)]	100.00	Philippines
Pacific Central Properties, Inc.	100.00	Philippines
Philippine Breweries Corporation (PBC)	99.52	Philippines
San Miguel Holdings Corporation[(t)] and subsidiaries	100.00	Philippines
Seaside Industrial Estate, Inc. [(b)]	100.00	Philippines
Navotas Ridge Realty Corporation (NRRC) [(b, e)]	100.00	Philippines
SMC Shipping and Lighterage Corporation (SMCSLC)	70.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC)	58.33	Philippines
Challenger Aero Air Corp.	100.00	Philippines
San Miguel Distribution Co., Inc. (SMDCi) [(h)]	100.00	Philippines
San Miguel Kuok Food Security, Inc. (SMKFSI) [(e, l)]	100.00	Philippines

(a) This was formerly the Domestic Beer Division of the Parent Company and was incorporated on July 26, 2007 (Note 10).
(b) The financial statements of these subsidiaries were audited by other auditors.
(c) Discontinued operations (Note 6).
(d) Consolidated effective January 10, 2007.
(e) Not yet operating as of December 31, 2008.
(f) The Parent Company's percentage of ownership was 99.83% in 2006.
(g) Consolidated to SMPFC effective January 1, 2007.
(h) Consolidated effective June 18, 2007.
(i) The Parent Company's percentage of ownership was 100% in 2007 and 2006.
(j) Consolidated to SMYPC effective January 2008. As of December 31, 2007, SYFMC was 60% owned by the Parent Company.
(k) Consolidated effective December 16, 2008.
(l) Consolidated effective September 5, 2008.
(m) Formerly San Miguel Packaging Specialists, Inc.
(n) Formerly San Miguel Packaging International Limited (SMPIL)
(o) Formerly San Miguel Phu Tho Packaging Co. Ltd.
(p) Formerly Zhaoqing San Miguel Glass Co. Ltd.
(q) Formerly Foshan San Miguel Packaging Co. Ltd.
(r) Formerly San Miguel Packaging & Printing Sdn. Bhd.
(s) Formerly San Miguel Woven Products Sdn. Bhd.
(t) Formerly San Miguel Logistics Asia Corporation

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The consolidated financial statements are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated balance sheets, separately from equity attributable to equity holders of the Parent Company.

Non-controlling interests represent the interest not held by the Group in GSMI, SMPFC, Mincorr, SMRPC, SMYAC, SYFMC, SMPI, PBC, SMCSLC, AIBC, PT-Delta, SMHT, SMBHK, SMBB, SMBV, SMPFI, PTSMPFI, PTSMSPIL, SMYPTPCL, SMPF, FSMPC, ZSMYGC and SMYHG in 2008 and 2007 and also SMB, SMYPIL and SMYPC in 2008.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in the consolidated financial statements.

Adoption of New Standards, Amendments to Standards and Interpretations
The FRSC approved the adoption of new or revised standards, amendments to standards, and interpretations as part of PFRS.

Amendments to Standard and Interpretations Adopted in 2008
Starting January 1, 2008, the Group adopted the following amended PAS and Philippine Interpretations from IFRIC:

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions:* This interpretation addresses how to apply PFRS 2, *Share-based Payment,* to share-based payment arrangements involving an entity's own equity instruments and share-based payment arrangements involving equity instruments of the parent company, where a parent company grants rights to its equity instruments to the employees of its subsidiary or a subsidiary grants rights to equity instruments of its parent company to its employees. The adoption of this interpretation did not have a material effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 14, *PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction:* This interpretation provides general guidance on how to assess the limit in PAS 19, *Employee Benefits,* on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The adoption of this interpretation did not have a material effect on the consolidated financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement,* and PFRS 7, *Financial Instruments: Disclosures:* This standard permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the trading category in certain circumstances. The amendments also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that otherwise would have met the definition of loans and receivables, if the entity has the intention and ability to hold that financial asset for the foreseeable future. The adoption of these amendments did not have an effect on the consolidated financial statements.

New and Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

The following are the new standards, amendments to standards and interpretations which are not yet effective for the year ended December 31, 2008, and have not been applied in preparing these consolidated financial statements:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes,* becomes effective for financial years beginning on or after July 1, 2008. This interpretation addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. This interpretation is not expected to have a significant effect on the consolidated financial statements.

- Philippine Interpretation IFRIC 16, *Hedges of a Net investment in a Foreign Operation,* becomes effective for financial years beginning on or after October 1, 2008. This interpretation applies to all entities using net investment hedging for investments in foreign operations and clarifies that net investment hedging can be applied only when the net assets of the foreign operation are included in the financial statements of the entity. The requirements in the interpretation do not apply to other forms of hedge accounting under PAS 39 and cannot be applied by analogy. IFRIC 16 provides guidance on the following issues: a) nature of the hedged risk and the amount of the hedged item for which a hedging relationship may be designated; b) where the hedging instrument can be held and assessing hedge effectiveness; and c) disposal of a foreign operation. The Group will assess the impact of this interpretation upon its adoption.

- PFRS 8, *Operating Segments*, becomes effective for financial years beginning on or after January 1, 2009 and will replace PAS 14, *Segment Reporting*. This standard introduces the "management approach" to segment reporting and will require a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, the Group presents segment information in respect of its business and geographical segments (Note 5). The Group is currently assessing the impact of the revised standard on the consolidated financial statements when it adopts the standard on January 1, 2009.

- Revised PAS 1, *Presentation of Financial Statements,* becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to introduce the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Group is currently assessing the impact of the revised standard on the consolidated financial statements when it adopts the standard on January 1, 2009.

- Revised PAS 23, *Borrowing Costs,* becomes effective for financial years beginning on or after January 1, 2009. The standard removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group will assess the impact of this revised standard on the consolidated financial statements when it adopts the standard on January 1, 2009.

- Amendments to PAS 32, *Financial Instruments: Presentation* and PAS 1, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation,* becomes effective for financial years beginning on or after January 1, 2009. The standard has been amended to require puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The Group will assess the impact of this revised standard on the consolidated financial statements when it adopts the standard on January 1, 2009.

- Amendment to PFRS 2, *Share-based Payment - Vesting Conditions and Cancellations,* becomes effective for financial years beginning on or after January 1, 2009. The standard has been amended to clarify the definition of vesting conditions, introduce the concept of non-vesting conditions, require non-vesting conditions to be reflected in grant-date fair value and provide the accounting treatment for non-vesting conditions and cancellations. The Group will assess the impact of this revised standard on the consolidated financial statements when it adopts the standard on January 1, 2009.

- Amended PFRS 1 and PAS 27, *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate,* becomes effective for financial years beginning on or after January 1, 2009. The amendments to PFRS 1 allow a first-time adopter, at its date of transition to IFRSs in its separate financial statements, to use deemed cost to account for an investment in a subsidiary, jointly controlled entity or associate. The amendments to PAS 27 remove the definition of "cost method" currently set out in PAS 27, and instead require all dividend from a subsidiary, jointly controlled entity or associate to be recognized as income in the separate financial statements of the investor when the right to receive the dividend is established. The Group will assess the impact of this revised standard on the consolidated financial statements when it adopts the standard on January 1, 2009.

- *Improvements to PFRS 2008* discusses 35 amendments and is divided into two parts: a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes ; and b) Part II includes 11 terminology or editorial amendments that the International Accounting Standards Board expects to have either no or only minimal effects on accounting. These improvements are generally effective for annual periods beginning on or after January 1, 2009. The effect of the improvements in 2009 is not expected to have any material effect on the consolidated financial statements.

- Revised PFRS 3, *Business Combinations,* incorporates the following changes that are likely to be relevant to the Group's operations:

    - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.

    - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.

    - Transaction costs, other than share and debt issue costs, will be expensed as incurred.

    - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.

    - Any non-controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised PFRS 3, which becomes mandatory for the 2010 consolidated financial statements, will be applied prospectively and therefore will have no impact on prior periods in the 2010 consolidated financial statements.

- Amended PAS 27, *Consolidated and Separate Financial Statements*, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The Group will assess the impact of this amended standard when it becomes mandatory for the 2010 consolidated financial statements.

- Amendments to PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items,* becomes effective for financial years beginning on or after July 1, 2009. The standard has been amended to provide for the following: a) new application guidance to clarify the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedge relationship; and b) additional application guidance on qualifying items; assessing hedge effectiveness; and designation of financial items as hedged items. The amendments to PAS 39, which will become mandatory for the 2010 consolidated financial statements are not expected to have a significant impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners,* becomes effective for financial years beginning on or after July 1, 2009. This interpretation provides guidance on the accounting for non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. It also applies to distributions in which the owners may elect to receive either the non-cash asset or a cash alternative. The liability for the dividend payable is measured at the fair value of the assets to be distributed. The Group will assess the impact of this interpretation on the consolidated financial statements when it adopts the standard in July 1, 2009.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate,* becomes effective for financial years beginning on or after January 1, 2012. This interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', i.e., before construction is complete. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and the timing of revenue recognition. The Group will assess the impact of this interpretation upon adoption.

Cash and Cash Equivalents

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and are subject to an insignificant risk of change in value.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated balance sheets when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

Subsequent to initial recognition, the Group classifies its financial assets and liabilities in the following categories: held-to-maturity (HTM) financial assets, available-for-sale (AFS) investments, FVPL financial assets and loans and receivables. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of Fair Value. The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Day 1 Profit. Where the transaction price in a non-active market is different from the fair value of the other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 Profit) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which are not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' profit amount.

Financial Assets
Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in the consolidated statements of income.

Financial assets may be designated by management at initial recognition at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- the assets are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group accounts for its derivative transactions (including embedded derivatives) under this category with fair value changes being reported directly to profit or loss, except when the derivative is treated as an effective accounting hedge, in which the fair value change is deferred in equity under "Cumulative translation adjustments" account.

The Group's derivative assets are classified under this category (Note 37).

The carrying values of financial assets under this category amounted to P191 and P926 as of December 31, 2008 and 2007, respectively (Note 37).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Loans and receivables are carried at cost or amortized cost, less impairment in value. Amortization is determined using the effective interest method.

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included in this category (Notes 7, 8 and 15).

The carrying values of financial assets under this category amounted to P175,192 and P162,597 as of December 31, 2008 and 2007, respectively (Note 37).

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and classified as AFS investments. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

Gains and losses are recognized in the consolidated statements of income when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group's HTM investments matured in 2006.

AFS Investments. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated balance sheets. Changes in the fair value of such assets are reported in the equity section of the consolidated balance sheets until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the consolidated statements of income. Interest earned on holding AFS investments are recognized in the consolidated statements of income using effective interest rate.

The Group's investments in equity securities included under "Investments and advances" account are classified under this category (Note 10).

The carrying values of financial assets under this category amounted to P590 and P551 as of December 31, 2008 and 2007, respectively (Note 37).

Financial Liabilities

Financial Liabilities at FVPL. Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

Included in this category are the Group's derivative financial instruments with negative fair values (Notes 17 and 37).

The carrying values of financial liabilities under this category amounted to P2,353 and P897 as of December 31, 2008 and 2007, respectively (Notes 17 and 37).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Group's drafts and loans payable, accounts payable and accrued expenses, long-term debt and other noncurrent liabilities (Notes 16, 17, 19 and 37).

The carrying values of financial liabilities under this category amounted to P144,953 and P119,935 as of December 31, 2008 and 2007, respectively (Note 37).

Debt Issue Costs

Debt issue costs are shown as deduction against the related debt and are amortized over the terms of the related borrowings using the effective interest method.

Derivative Financial Instruments and Hedging

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in the consolidated statements of income. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

As of December 31, 2008 and 2007, the Group has no outstanding derivatives accounted for as fair value hedges.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are included in the consolidated statements of changes in equity under "Cumulative translation adjustments" account. The ineffective portion is immediately recognized in the consolidated statements of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains and losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying value of the asset or liability. Otherwise, for all other cash flow hedges, gains and losses initially recognized in equity are transferred from equity to net income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affect the consolidated statements of income.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. In this case, the cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in the consolidated statements of income.

As of December 31, 2008, the Group has outstanding commodity options accounted for as cash flow hedge.

Net Investment Hedge. As of December 31, 2008, the Group has no hedge of a net investment in a foreign operation.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

Embedded Derivatives
The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized the consolidated statements of income.

Impairment of Financial Assets

The Group assesses at balance sheet date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of loss shall be recognized in the consolidated statements of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets Carried at Cost. If there is objective evidence of an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income, is transferred from equity to the consolidated statements of income. Reversals in respect of equity instruments classified as AFS are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income.

Classification of Financial Instruments Between Debt and Equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial assets to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated balance sheets.

Inventories
Finished goods, goods in process and materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Finished goods and goods in process	-	cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method;
Materials and supplies	-	at cost using the moving-average method.

Net realizable value of finished goods and goods in process is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realizable value of materials and supplies is the current replacement cost.

Containers (i.e., returnable bottles and shells) are stated at deposit values less any impairment in value. The excess of the acquisition cost of the containers over their deposit value is presented under deferred containers included under "Other noncurrent assets" account in the consolidated balance sheets and is amortized over the estimated useful lives of two to ten years. Amortization of deferred containers is included under "Selling and administrative expenses" account in the consolidated statements of income.

Biological Assets and Agricultural Produce

The Group's biological assets include breeding and growing livestock (poultry, hogs and cattle) which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Growing livestock are carried at accumulated cost while breeding livestock are carried at accumulated cost net of amortization. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets have no active market and no active market for similar assets is available in the Philippine industry. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs, efficiency values, production) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result to a reliable basis for determining the fair value.

The carrying values of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group's agricultural produce which consists of grown broilers, marketable hogs and cattle harvested from the Group's biological assets are measured at its fair value less estimated point-of-sale costs at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs and cattle, the fair value is based on the quoted prices in the market at any given time.

The Group in general, does not carry any inventory of agricultural produce for poultry at any given time as these are either sold as live broilers or transferred to the different poultry processing plants and immediately transferred into processed or dressed chicken.

Amortization is computed using straight-line method over the following estimated productive lives of breeding stocks:

Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Cattle	2.5 - 3 years
Poultry breeding stock	40 - 44 weeks

Investments in Shares of Stock of Associates

The Group's investments in shares of stock of associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in an associate is carried in the consolidated balance sheets at cost plus post-acquisition changes in the Group's share in net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statements of income reflect the share in the results of operations of the associate. Where there has been a change which was recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

An investment in an associate is accounted for using the equity method from the date when it becomes an associate. Upon acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for in accordance with PFRS 3, *Business Combinations*. Consequently:

a. goodwill relating to an associate is included in the carrying amount of investment. However, amortization of that goodwill is no longer permitted and is therefore not included in the determination of the Group's share in the associate's profit or losses.

b. any excess of the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share in the associate's profit or loss in the period in which the investment is acquired.

The Group discontinues applying the equity method when its investment in an associate is reduced to zero. Additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the associate that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes applying the equity method only after its share of the profits equals the share of net losses not recognized during the period the equity method was suspended.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. The accounting policies of the associates conform to those used by the Group for like transactions and events in similar circumstances.

Interest in Joint Venture

The Group recognizes its interest in the joint venture using proportionate consolidation. The Group combines its share in each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The joint venture is proportionately consolidated until the date when the Group ceases to have joint control over the joint venture.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises of its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	5 - 50
Machinery and equipment	3 - 40
Transportation equipment	5 - 7
Tools and small equipment	2 - 5
Office equipment, furniture and fixtures	2 - 6
Molds	2 - 5
Leasehold improvements	5 - 50 or term of the lease, whichever is shorter

The remaining useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, periodically to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gains or losses arising on the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are included in the consolidated statements of income in the period of retirement or disposal.

Investment Properties

Investment properties consist of properties held to earn rentals and/or for capital appreciation. Investment properties, except for land, are measured initially at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Buildings and improvements	5 - 50
Machinery and equipment	3 - 40
Tools and small equipment	2 - 5

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each financial year-end.

Investment property is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sale.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Business Combinations

Business combinations are accounted for using the purchase method of accounting. The cost of acquisition is the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control over the net assets of the acquired company, plus any directly attributable costs. The identifiable assets, liabilities and contingent liabilities that satisfy certain recognition criteria have to be measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling interests.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PAS 14, *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Negative goodwill which is not in excess of the fair values of acquired identifiable nonmonetary assets of subsidiaries and associates is charged directly to income.

Transfers of assets between commonly controlled entities are accounted for under historical cost accounting.

When a business combination involves more than one exchange transaction (occurs in stages), each exchange transaction is treated separately by the Group, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of goodwill associated with that transaction. Any adjustment to fair values relating to the previously held interest is a revaluation and is accounted for as such.

When subsidiaries are sold, the difference between the selling price and the net assets plus goodwill is recognized in the consolidated statements of income.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and provision for impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Computer software	2 - 8
Franchise	13 - 20
Leasehold rights	20 or term of the lease, whichever is shorter
Land use rights	25 - 50 or term of the lease, whichever is shorter

The Group assessed the useful life of the trademarks and brand names to be indefinite because based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from disposition of an intangible asset are measured as the difference between the disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

Impairment of Other Non-financial Assets

The carrying values of property, plant and equipment, investment properties, containers, investments and advances, biological assets, other intangible assets with definite useful lives and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized only when the Group has (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Treasury Shares
Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized on profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sales. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, which is normally upon delivery.

Agricultural Produce. Revenue for agricultural produce is measured at fair value less cost to sell at point of harvest. Fair value is based on the most relevant market price at point of harvest.

Interest. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend. Revenue is recognized when the Group's right as a shareholder to receive the payment is established.

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized if the Group disposes of its investment in a subsidiary or associate. Gain or loss is computed as the difference between the proceeds of the disposed investments and its carrying amount, including the carrying amount of goodwill, if any.

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease, as applicable.

Cost and Expense Recognition
Cost and expenses are recognized in the consolidated statements of income upon receipt of goods, utilization of services or at the date they are incurred.

Share-based Transactions
The cost of Long-term Incentive Plan for Stock Options (LTIP) is measured by reference to the option fair value at the date when the options are granted. The fair value is determined using Black-Scholes option-pricing model. In valuing LTIP transactions, any performance conditions are not taken into account, other than conditions linked to the price of the shares of the Parent Company. The cost of Employee Stock Purchase Plan (ESPP) is measured by reference to the market price at the time of the grant less subscription price.

The cost of share-based transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for share-based transactions, at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity

instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as Lessee. Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statements of income.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenues in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Research and Development Costs

Research costs are expensed as incurred. Development cost incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying value of development cost is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Retirement Costs

The Parent Company and majority of its subsidiaries have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees. Retirement costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement cost includes current service cost, interest cost, expected return on plan assets, amortization of unrecognized past service costs, recognition of actuarial gains and losses, and effect of any curtailments or settlements. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to the plan, past service cost is recognized immediately as an expense. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceed the greater of 10% of present value of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The transitional liability as of January 1, 2005, the date of adoption of PAS 19, *Employee Benefits*, is recognized as an expense over five years from date of adoption.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized, reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the resulting asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

If the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan, net actuarial losses of the current period and past service cost of the current period are recognized immediately to the extent that they exceed any reduction in the present value of those economic benefits. If there is no change or an increase in the present value of the economic benefits, the entire net actuarial losses of the current period and past service

cost of the current period are recognized immediately. Similarly, net actuarial gains of the current period after the deduction of past service cost of the current period exceeding any increase in the present value of the economic benefits stated above are recognized immediately if the asset is measured at the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. If there is no change or a decrease in the present value of the economic benefits, the entire net actuarial gains of the current period after the deduction of past service cost of the current period are recognized immediately.

Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange at balance sheet date. All differences are taken to the consolidated statements of income. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Group's foreign operations is United States (US) dollar. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the balance sheet date and their income and expense accounts are translated at the quarterly weighted average exchange rates for the year. The resulting translation differences are included in the consolidated statements of changes in equity under "Cumulative translation adjustments" account. On disposal of a foreign entity, the accumulated exchange differences are recognized in the consolidated statements of income as a component of the gain or loss on disposal.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at balance sheet date.

Deferred Tax. Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheets.

Assets Held for Sale

Noncurrent assets or disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Discontinued Operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of income are re-presented as if the operation had been discontinued from the start of the comparative period and show the results of discontinued operation separate from the results of continuing operation.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of the shares issuable to employees and executives under the Parent Company's ESPP and LTIP, respectively, which are assumed to be exercised at the date of grant.

Where the effect of the assumed conversion of shares issuable to employees and executives under the Parent Company's stock purchase and option plans would be anti-dilutive, diluted EPS is not presented.

Business Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business and geographical segments is presented in Note 5 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Subsequent Events
Post-year end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post-year end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes, at the reporting date. However, uncertainty about these estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Operating Leases. The Group has entered into various lease agreements as a lessee. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent expense charged to operations amounted to P1,796, P1,450 and P1,622 in 2008, 2007 and 2006, respectively (Notes 22 and 23).

Contingencies. The Group currently has various tax assessments, legal and administrative claims. The Group's estimate of the probable costs for the resolution of these assessments and claims have been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these tax assessments, legal and administrative claims will have a material adverse effect on its financial position and results of operations. It is possible, however, that future financial performance and results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 39).

Estimates

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Allowance for Impairment Losses on Trade and Other Receivables. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded selling and administrative expenses and decrease current assets.

The allowance for impairment losses amounted to P2,884 and P2,541 as of December 31, 2008 and 2007, respectively. The carrying values of trade and other receivables amounted to P50,814 and P61,879 as of December 31, 2008 and 2007, respectively (Note 8).

Allowance for Inventory Losses. The Group provides allowance for inventory losses whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after balance sheet date to the extent that such events confirm conditions existing at balance sheet date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The allowance for inventory losses amounted to P901 and P926 as of December 31, 2008 and 2007, respectively. The carrying values of inventories amounted to P27,710 and P23,852 as of December 31, 2008 and 2007, respectively (Note 9).

Estimated Useful Lives of Investment Properties, Containers and Property, Plant and Equipment. The Group estimates the useful lives of investment properties, containers and property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties, containers and property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of investment properties, containers and property, plant and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of investment properties, containers and property, plant and equipment would increase recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Accumulated depreciation and amortization of investment properties and property, plant and equipment amounted to P52,965 and P47,128 as of December 31, 2008 and 2007, respectively. Property, plant and equipment, net of accumulated depreciation and amortization amounted to P72,873 and P68,177 as of December 31, 2008 and 2007, respectively (Note 11). Investment properties, net of accumulated depreciation amounted to P2,253 and P2,021 as of December 31, 2008 and 2007, respectively (Note 12). Deferred containers net of accumulated amortization amounted to P3,708 and P3,187 as of December 31, 2008 and 2007, respectively (Note 15).

Estimated Useful Lives of Intangible Assets with Finite Lives. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful life amounted to P1,561 and P1,240 as of December 31, 2008 and 2007, respectively (Note 14).

Impairment of Goodwill and Trademarks and Brand Names with Indefinite Lives. The Group determines whether goodwill and trademarks and brand names are impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying values of goodwill as of December 31, 2008 and 2007 amounted to P5,201 and P5,348, respectively (Note 14).

The carrying values of trademarks and brand names amounted to P2,251 and P1,962 as of December 31, 2008 and 2007, respectively (Note 14).

Purchase Price Allocation in Business Combinations. Purchase method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and trademarks and brand names with indefinite lives.

The total carrying values of goodwill and trademarks and brand names with indefinite useful lives arising from business combinations as of December 31, 2008 and 2007 amounted to P7,452 and P7,310, respectively (Note 14).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each balance sheet date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P7,638 and P4,973 as of December 31, 2008 and 2007, respectively (Note 20).

Impairment of Other Non-financial Assets. PFRS requires that an impairment review be performed on investments and advances, property, plant and equipment, investment properties, containers, biological assets, other intangible assets with definite useful lives and idle assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Accumulated impairment losses of property, plant and equipment and investment properties amounted to P4,975 and P4,195 as of December 31, 2008 and 2007, respectively. The aggregate amount of investments and advances, property, plant and equipment, investment properties, biological assets, other intangible assets with definite useful lives, containers, and idle assets, amounted to P112,484 and P74,966 as of December 31, 2008 and 2007, respectively (Notes 10, 11, 12, 13, 14 and 15).

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 31 to the consolidated financial statements and include discount rate, expected return on plan assets and salary increase rate. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The assumption of the expected return on plan assets is determined on a uniform basis, taking into consideration the long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The Group has a net cumulative unrecognized actuarial loss amounting to P268 and P184 as of December 31, 2008 and 2007, respectively (Note 31).

Fair Value of Agricultural Produce. The Group determines the fair value of its agricultural produce based on most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transactions and balance sheet date. Point-of-sale cost is estimated based on most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest.

Unrealized gain (loss) on fair value adjustments included in the cost of inventories as of December 31, 2008 and 2007 amounted to (P2) and P52, respectively (Note 9).

Financial Assets and Liabilities. The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in the fair value of these financial assets and liabilities would affect profit and loss and equity.

Fair value of financial assets and liabilities are discussed in Note 37.

Asset Retirement Obligation. Determining asset retirement obligation requires estimation of the cost of dismantling property and equipment and other costs of restoring the leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as of December 31, 2008 and 2007.

5. Segment Information

Business Segments

The business segment is determined as the primary segment reporting format as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into three major business segments – beverage, food and packaging.

The beverage segment produces and markets alcoholic and nonalcoholic beverages.

The food segment includes, among others, the breeding, hatching, processing and marketing of chicken; production and marketing of feeds and flour, dairy products, snack foods, coffee, oil and fresh, ready-to-cook and processed meats.

The packaging segment is involved in the production and marketing of the following packaging products, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene/kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, crate and plastic pallet leasing, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

Geographical Segments

The Group's major businesses primarily operate in the following geographical areas – Philippines, China, Indonesia, Vietnam and Thailand.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments and between geographical segments. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Financial information about business and geographical segments follow:

Business Segments

	For the Years Ended December 31, 2008, 2007 and 2006																							
	Continuing Operations																		Discontinued Operations (Note 6)			Total Operations		
	Beverage			Food			Packaging			Others			Eliminations			Total								
	2008	2007	2006	**2008**	2007*	2006*	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007*	2006*	**2008**	2007*	2006*	**2008**	2007*	2006*
Sales																								
External sales	**P78,599**	P69,334	P67,103	**P73,830**	P63,516	P57,238	**P15,612**	P15,172	P10,754	**P -**	P -	P -	**P -**	P -	P -	**P168,041**	P148,022	P135,095	**P181**	P93,948	P114,412	**P168,222**	P241,970	P249,507
Inter-segment sales	**-**	425	18	**50**	10	10	**4,246**	3,605	8,645	**-**	-	-	**(4,296)**	(4,040)	(8,673)	**-**	-	-	**-**	-	-	**-**	-	-
Total sales	**P78,599**	P69,759	P67,121	**P73,880**	P63,526	P57,248	**P19,858**	P18,777	P19,399	**P -**	P -	P -	**(P4,296)**	(P4,040)	(P8,673)	**P168,041**	P148,022	P135,095	**P181**	P93,948	P114,412	**P168,222**	P241,970	P249,507
Result																								
Segment result	**P14,556**	P11,359	P9,275	**P865**	P2,341	P2,106	**P1,315**	P146	P2,696	**(P2,216)**	(P1,684)	(P2,569)	**P298**	(P535)	P1,370	**P14,818**	P11,627	P12,878	**(P10)**	P5,522	P7,277	**P14,808**	P17,149	P20,155
Interest expense and financing charges																**(6,032)**	(7,117)	(7,097)	-	(2,984)	(3,665)	**(6,032)**	(10,101)	(10,762)
Interest income																**6,630**	2,087	2,763	-	317	231	**6,630**	2,404	2,994
Equity in net earnings (losses) of associates																**(1,132)**	164	56	-	82	114	**(1,132)**	246	170
Gain (loss) on sale of investments and property, plant and equipment																**8,746**	2,224	245	-	(5)	27	**8,746**	2,219	272
Other income (charges) - net																**(2,262)**	3,614	3,192	**(9)**	(251)	(1,162)	**(2,271)**	3,363	2,030
Income tax benefit (expense)																**(6,098)**	(4,520)	(3,947)	**7**	(1,174)	(1,013)	**(6,091)**	(5,694)	(4,960)
Gain (loss) from discontinued operations																-	-	-	**5,425**	(1,235)	-	**5,425**	(1,235)	-
Net income																**P14,670**	P8,079	P8,090	**P5,413**	P272	P1,809	**P20,083**	P8,351	P9,899
Attributable to:																								
Equity holders of the Parent Company																**P13,935**	P8,160	P7,887	**P5,413**	P470	P2,419	**P19,348**	P8,630	P10,306
Non-controlling interests																**735**	(81)	203	-	(198)	(610)	**735**	(279)	(407)
Net income																**P14,670**	P8,079	P8,090	**P5,413**	P272	P1,809	**P20,083**	P8,351	P9,899

* *As discussed in Note 6, certain accounts were adjusted due to reclassification of Agribusiness Division of the Parent Company to discontinued operations.*

	For the Years Ended December 31, 2008, 2007 and 2006																	
	Beverage			Food			Packaging			Others			Eliminations			Consolidated		
	2008	2007	2006	**2008**	2007*	2006*	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007*	2006*
Other Information																		
Segment assets	**P100,242**	P76,617	P123,349	**P71,122**	P63,300	P74,150	**P33,021**	P34,787	P39,112	**P241,782**	P210,355	P108,638	**(P154,247)**	(P115,834)	(P109,447)	**P291,920**	P269,225	P235,802
Investments in and advances to associates	**-**	-	-	**-**	-	301	**-**	-	-	**31,663**	220	5,480	**-**	-	**-**	**31,663**	220	5,781
Goodwill, trademarks and brand names																**7,452**	7,310	99,089
Other assets																**700**	6,381	250
Deferred tax assets																**7,638**	4,973	6,871
Consolidated total assets																**P339,373**	P288,109	P347,793
Segment liabilities	**P26,443**	P22,438	P45,689	**P24,095**	P16,767	P96,336	**P7,659**	P16,178	P18,664	**P146,348**	P84,594	P73,866	**(P155,935)**	(P119,603)	(P195,498)	**P48,610**	P20,374	P39,057
Drafts and loans payable																**48,560**	44,231	42,535
Long-term debt and redeemable preferred shares																**49,763**	55,834	95,915
Income and other taxes payable																**4,429**	3,327	3,016
Dividends payable and others																**1,936**	5,529	2,739
Deferred tax liabilities																**17,851**	12,721	13,434
Consolidated total liabilities																**P171,149**	P142,016	P196,696
Capital expenditures	**P3,471**	P4,851	P4,134	**P215**	P1,065	P3,455	**P1,354**	P2,550	P4,089	**P1,397**	P844	P915	**P -**	P -	P -	**P6,437**	P9,310	P12,593
Depreciation and amortization and others	**2,251**	2,372	3,665	**868**	2,260	2,049	**1,491**	1,144	1,337	**323**	304	460	**-**	-	-	**4,933**	6,080	7,511
Noncash items other than depreciation	**796**	1,038	3,442	**966**	972	257	**(79)**	106	54	**2,739**	1,200	611	-	-	-	**4,422**	3,316	4,364
Loss on impairment of goodwill, property, plant and equipment and idle assets	**-**	1,461	-	**-**	-	-	**-**	283	-	**322**	-	-	**-**	-	-	**322**	1,744	-

Geographical Segments

	For the Years Ended December 31, 2008, 2007 and 2006														
	Total Sales			Sales from Continuing Operations			Sales from Discontinued Operations			Segment Assets			Capital Expenditures		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Philippines	**P147,802**	P143,282*	P156,603*	**P147,621**	P131,155*	P118,161*	**P181**	P12,127*	P38,442*	**P183,026**	P182,380	P154,133	**P4,562**	P6,040	P7,381
Australia	**-**	81,821	75,970	**-**	-	-	-	81,821	75,970	**25,142**	27,460	40,139	**-**	86	2,348
China	**6,330**	6,721	7,636	**6,330**	6,721	7,636	-	-	-	**22,169**	18,458	22,723	**1,478**	2,164	929
Indonesia	**3,925**	3,095	2,982	**3,925**	3,095	2,982	-	-	-	**4,489**	4,121	5,370	**40**	121	186
Vietnam	**3,057**	2,973	2,378	**3,057**	2,973	2,378	-	-	-	**1,970**	4,258	3,824	**145**	752	838
Thailand	**2,363**	595	378	**2,363**	595	378	-	-	-	**5,694**	5,382	6,663	**103**	129	856
Others	**4,745**	3,483	3,560	**4,745**	3,483	3,560	-	-	-	**49,430**	27,166	2,950	**109**	18	55
	P168,222	P241,970	P249,507	**P168,041**	P148,022	P135,095	**P181**	P93,948	P114,412	**P291,920**	P269,225	P235,802	**P6,437**	P9,310	P12,593

** As discussed in Note 6, certain accounts were adjusted due to reclassification of Agribusiness Division of the Parent Company to discontinued operations.*

6. Discontinued Operations and Assets Held for Sale

a. Agribusiness Division of the Parent Company

In 2008, the Parent Company ceased the operations of its Agribusiness Division, in particular the operations of its Iligan Coconut Oil Mill.

b. SMAH (Note 10)

On November 8, 2007, the Parent Company through San Miguel Beverages (L) Pte. Ltd. (SMBPL), signed a definitive agreement to sell its SMAH shares including its premium Tasmanian brewer, J. Boag, to Lion Nathan Australia Pty. Ltd., an Australian alcoholic beverages company, for a purchase price of Australian Dollar (A$) 325 subject to adjustments at completion of closing audit.

The closing audit was completed on January 2, 2008 and the Parent Company received A$277 as payment of purchase price, net of adjustments. The Group recognized a gain of P5,425, net of deferred income tax in 2008.

c. San Miguel Foods Australia Holdings Pty. Ltd. (SMFAH) (Note 10)

On November 8, 2007, the Parent Company through San Miguel Foods (L) Pte. Limited (SMFL) reached an agreement with Kirin Holdings (Australia) Pty. Ltd. to sell its Australian dairy and juice business, SMFAH, for a purchase price of A$752 (net of external debt and shareholder loans) subject to adjustments at completion of closing audit. The sale also includes National Foods Limited's (NFL) shares in Berri Ltd. (Berri), King's Creameries (S) Pte. Ltd. (King's) and Lactos Pty. Ltd. (Lactos).

On December 27, 2007, the Parent Company received A$2,090 representing payment of the purchase price and settlement of shareholder loans.

Based on the results of the closing audit on April 30, 2008, an adjustment in the purchase price of A$28 was received by the Parent Company five business days after completion of the closing audit. The loss realized from the sale amounted to P513, net of P1,922 net income of SMFAH in 2007.

d. Coca-Cola Bottlers Philippines, Inc. (CCBPI) (Note 10)

On February 22, 2007, the Parent Company and Coca-Cola South Asia Holdings, Inc. (CCSAHI) executed a Deed of Sale of Shares of Stock covering the Parent Company's 65% equity in CCBPI consisting of 766,121 common shares and 172,942 Class A preferred shares for US$590. The payments to the Parent Company are scheduled on various dates over a five year period subject to fulfillment of specific conditions attached to each and every payment due. As of December 31, 2008, receivable from CCSAHI of P4,752 is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account (Note 15).

On August 23, 2007, the closing audit for the sale transaction was completed and the selling price was adjusted to US$520. The gain realized from the sale amounted to P824, net of P376 net loss of CCBPI (from January 1 to February 22, 2007).

The adjustment in selling price from US$590 to US$520 (net of the assigned receivables amounting to US$17) is a result of a compromise agreement between the Parent Company and CCSAHI.

As required by PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, the results of operations of Agribusiness in 2008, 2007 and 2006, SMFAH and SMAH in 2007 and 2006 and CCBPI for the period ended February 22, 2007 and December 31, 2006, were presented as a separate item under "Income After Income Tax from Discontinued Operations" in the consolidated statements of income. SMAH's assets, liabilities and equity were classified as items held for sale in the consolidated balance sheet as of December 31, 2007.

The results of discontinued operations are presented below:

	Note	**2008**	2007 (As Restated)	2006 (As Restated)
Net sales		**P181**	P93,948	P114,412
Cost of sales		**168**	59,568	73,531
Gross profit		**13**	34,380	40,881
Selling and administrative expenses		**(23)**	(28,858)	(33,604)
Interest expense and financing charges	*26*	**-**	(2,984)	(3,665)
Interest income	*27*	**-**	317	231
Equity in net earnings of associates		**-**	82	114
Gain on sale of investments and property, plant and equipment		**-**	(5)	27
Other charges - net		**(9)**	(251)	(1,162)
Income (loss) before income tax		**(19)**	2,681	2,822
Income tax expense (benefit)	*20*	**(7)**	1,174	1,013
Income (loss) from discontinued operations		**(12)**	1,507	1,809
Gain (loss) on sale from disposal of investment - net of tax of P2,921 and P4,596 in 2008 and 2007, respectively	*20*	**5,425**	(1,235)	-
Net income from discontinued operations		**P5,413**	P272	P1,809
Attributable to:				
Equity holders of the Parent Company	*33*	**P5,413**	P470	P2,419
Non-controlling interests		**-**	(198)	(610)
		P5,413	P272	P1,809

Basic and diluted earnings per share from discontinued operations, attributable to equity holders of the Parent Company, are presented in Note 33.

Cash flows provided by discontinued operations are presented below:

	2008	2007	2006
Net cash provided by operating activities	**P1,312**	P4,173	P8,092
Net cash provided by (used in) investing activities	**7,786**	97,762	(7,710)
Net cash used in financing activities	**-**	(11,221)	(258)
Net cash provided by discontinued operations	**P9,098**	P90,714	P124

The effect of disposal on the financial position follows:

	2008	2007
Assets		
Cash and cash equivalents	**P -**	P5,094
Trade and other receivables - net of impairment losses amounting to P2,164 in 2007 (Note 8)	**-**	19,095
Inventories - net	**-**	13,572
Prepaid expenses and other current assets - net	**-**	1,790
Investments and advances - net	**-**	282
Property, plant and equipment - net	**-**	27,795
Goodwill - net	**-**	62,061
Other intangible assets - net	**-**	22,597
Deferred tax assets	**-**	3,457
Other noncurrent assets - net	**-**	8,265
Assets held for sale	**5,324**	-
Liabilities		
Drafts and loans payable	**-**	(2,612)
Accounts payable, accrued expenses and other current liabilities	**-**	(25,129)
Income and other taxes payable	**-**	(657)
Current maturities of long-term debt	**-**	(23,672)
Long-term debt - net of current maturities	**-**	(3,249)
Deferred tax liabilities	**-**	(1,193)
Other noncurrent liabilities	**-**	(938)
Liabilities directly associated with assets held for sale	**(3,642)**	-
Non-controlling interests	**-**	(8,824)
Cumulative translation adjustment	**-**	88
Amounts recognized directly in equity relating to assets held for sale	**(37)**	-
Net assets disposed of	**P1,645**	P97,822
Cash consideration received	**P9,083**	P95,778
Less cash and cash equivalents disposed of	**-**	5,094
Net cash flows	**P9,083**	P90,684

The major classes of SMAH's assets and liabilities held for sale in 2007 are as follows:

	Note	
Assets held for sale		
Cash and cash equivalents	*7*	P1,293
Trade and other receivables - net		491
Inventories - net		233
Prepaid expenses and other current assets		164
Property, plant and equipment - net	*11*	1,572
Goodwill, other intangibles and other assets - net		1,571
		P5,324
Liabilities directly associated with assets held for sale		
Loans payable		P2,778
Accounts payable, accrued expenses and income and other taxes payable		852
Other noncurrent liabilities		12
		P3,642

Included in the "Assets held for sale" account presented in the consolidated balance sheet as of December 31, 2007 is the investment in KSA Realty Corporation (KSA), an associate, amounting to P468. The share of the discontinued operations of KSA included in the "Equity in net earnings of associates" account in 2007 amounted to P134 (Note 10).

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2008	2007
Cash in banks and on hand	**P8,220**	P5,322
Short-term investments	**108,719**	87,959
	P116,939	P93,281

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term investment rates.

Cash and cash equivalents included in the "Assets held for sale" account presented in the consolidated balance sheet as of December 31, 2007 amounted to P1,293 (Note 6).

8. Trade and Other Receivables

	Note	**2008**	2007
Trade		**P18,668**	P20,775
Amounts owed by related parties	*29*	**6,491**	35,721
Others	*30, 35*	**28,539**	7,924
		53,698	64,420
Less allowance for impairment losses		**2,884**	2,541
		P50,814	P61,879

Trade receivables are non-interest bearing and are generally on a 30 to 45-day term.

The movements in the allowance for impairment losses are as follows:

	Note	**2008**	2007
Balance at beginning of year		**P2,541**	P4,558
Charges for the year		**604**	597
Amounts written off		**(283)**	(82)
Disposals, reversals and others	*6*	**22**	(2,532)
Balance at end of year		**P2,884**	P2,541

As at December 31, 2008 and 2007 the aging of receivables are as follows:

2008

	Total	Trade	Owed by related parties	Non-trade
Current	P28,804	P11,587	P6,491	P10,726
Past due				
Less than 30 days	4,255	3,245	-	1,010
30-60 days	1,808	812	-	996
61-90 days	735	412	-	323
Over 90 days	18,096	2,612	-	15,484
	P53,698	P18,668	P6,491	P28,539

2007

	Total	Trade	Owed by related parties	Non-trade
Current	P52,629	P12,335	P35,721	P4,573
Past due				
Less than 30 days	4,709	3,819	-	890
30-60 days	2,712	1,429	-	1,283
61-90 days	1,644	1,274	-	370
Over 90 days	2,726	1,918	-	808
	P64,420	P20,775	P35,721	P7,924

a. The Parent Company has outstanding advances to San Miguel Corporation Retirement Plan (SMCRP) amounting to P6,323 and P35,721 (Note 29) as of December 31, 2008 and 2007, respectively, subject to interest of 6.5% per annum. Interest income pertaining to the said advances amounted to P2,310 and P1,148 for the years ended December 31, 2008 and 2007, respectively (Note 27).

   SMCRP used the proceeds of the advances mainly for the purchase of the Parent Company's common shares. Such investment accounts for more than 46% and 50% of the total plan assets as of December 31, 2008 and 2007, respectively. The fair market values of these shares as of December 31, 2008, were P40.50 for Class "A" common shares and P42.50 for Class "B" common shares. As of December 31, 2007, fair market value of these shares were P59 for Class "A" common shares and P59.50 for Class "B" common shares.

On December 27, 2007, SMCRP entered into a Stock Purchase Agreement (the Agreement) with a third party (Buyer) for the sale of the SMC common shares (857,115,914 shares). The contract, provides among others, that the shares be sold at an agreed price, payable on or before December 31, 2008, extendible for additional three months up to March 31, 2009, subject to interest.

Under the terms of the Agreement, all rights to, interests and title in and ownership of the shares shall remain with SMCRP. All dividends and other benefits, except for stock dividends, declared by the Parent Company in relation to the shares shall accrue fully to SMCRP. All stock dividends declared by the Parent Company in relation to the shares shall accrue to SMCRP and the Buyer proportionately based on the consideration paid by the Buyer.

Should any part of the total consideration remain unpaid as of March 31, 2009, SMCRP shall have the right to demand payment from the Buyer of the relevant amounts outstanding inclusive of interest and penalties.

On November 25, 2008, SMCRP and the Buyer through amendments to the Agreement, agreed to extend the maturity of the contract up to December 31, 2009, subject to a partial payment. Upon remittance of the partial payment, interest, at 7% per annum, shall accrue on the remaining balance of the contract.

9. Inventories

	2008	2007
Finished goods and goods in process - at net realizable value	**P8,073**	P7,102
Containers - at net realizable value	**1,371**	1,632
Materials and supplies - at net realizable value	**18,266**	15,118
	P27,710	P23,852

The cost of materials and supplies as of December 31, 2008 and 2007 amounted to P18,607 and P15,616, respectively.

Containers at deposit value amounted to P1,747 and P2,060 as of December 31, 2008 and 2007, respectively.

Finished goods and goods in process include unrealized gain (loss) on fair valuation of agricultural produce amounting to (P2) and P52 in 2008 and 2007, respectively (Note 4). The fair value of agricultural produce, less point-of-sale cost, which formed part of finished goods inventory amounted to P557 and P319 as of December 31, 2008 and 2007, respectively, with corresponding cost at point-of-harvest amounting to P559 and P267, respectively.

10. Investments and Advances

Investments in Shares of Stock of Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries in 2008 and 2007:

a. BPI

On December 8, 2008, the BOD of the Parent Company approved the transfer of certain parcels of land used in the domestic beer operations to BPI, a wholly-owned realty subsidiary, in exchange for shares of stock.

On December 16, 2008, the Parent Company formed BPI with an authorized capital stock of P1. BPI was incorporated primarily to own, use, improve, develop, sell, exchange, lease and hold investment or otherwise, real estate of all kinds, including buildings and other structures.

BPI has not yet started commercial operations as of December 31, 2008.

b. IBI

On December 8, 2008, the BOD of the Parent Company approved the transfer of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to IBI, a wholly-owned subsidiary, in exchange for shares of stock.

On December 16, 2008, the Parent Company formed IBI with an authorized capital stock of P1. IBI was incorporated primarily to engage in the manufacturing, buying, selling (on wholesale) and dealing in alcoholic and non-alcoholic beverages and to own, purchase, license and/or acquire such trademarks and other intellectual property rights necessary for the furtherance of its business. On the same date, the BOD and stockholders of IBI approved the increase in its authorized capital stock from P1 to P10,000 divided into 100,005,000 shares at P100 par value per share. The Parent Company and IBI executed a Deed of Assignment of Domestic Intellectual Rights dated December 16, 2008 as supplemented by a Supplement to the Deed of Assignment of Domestic Intellectual Property Rights dated January 23, 2009 for the transfer of the IP Rights in exchange for common shares in IBI.

IBI has not yet started commercial operations as of December 31, 2008.

c. SMKFSI

On July 3, 2008, the Parent Company, the Hongkong-based Kuok Group and the Philippine government, acting through several agencies, signed a Memorandum of Understanding on the Philippine Food Security Program (MOU) for the development and cultivation of up to one (1) million hectares of land for the purpose of producing basic food staples. Under the MOU, the Philippine government will identify and make available for cultivation or food production suitable tracts of land under its control, possession or ownership. In turn, the Parent Company and Kuok Group will, after conducting an evaluation and review of the suitability of the identified tracts of land, provide financing, technical support and management for agricultural crop production determined to be suitable for the identified areas, which will include, but will not be limited to, irrigation, access roads and post-harvest investments.

On September 2008, SMKFSI was incorporated with the primary purpose to develop a sustainable food security program for the Philippines by harnessing idle lands of the government and private parties for the production of rice, corn, cassava, banana and other food staples. The Parent Company intends to use SMKFSI as its corporate vehicle for the implementation of the project described in the MOU.

d. SMB

On July 24, 2007, the stockholders of the Parent Company, during the annual stockholders' meeting, approved the transfer of the Parent Company's domestic beer business assets (excluding land and brands) to a wholly-owned subsidiary of the Parent Company, SMB, in exchange for shares of stock. The transfer of such assets to SMB is pursuant to the listing with the PSE and the public offering of the shares of SMB.

On July 26, 2007, the Parent Company incorporated SMB, a wholly-owned subsidiary with an initial authorized capital stock of P100 and paid-up capital of P6.25. Pursuant to the stockholders approval obtained on July 24, 2007, SMC's domestic beer business net assets as of June 30, 2007, excluding land, brands and certain payables were transferred to this new subsidiary in exchange for additional shares of stock effective October 1, 2007.

On September 27, 2007, the SEC approved the transfer of the domestic beer business net assets to SMB and the increase in the authorized capital stock from P100 to P25,000.

Shares totaling 15,308,416,960, were issued to the Parent Company pursuant to such transfer under a tax-free asset-for-share agreement, as confirmed by the Bureau of Internal Revenue (BIR) in its certification No. SN-300-2007 dated October 9, 2007.

As a standard condition of the SEC for approval of applications for increase in authorized capital stock, where the payment for the shares issued pursuant to such increase is made in the form of motor vehicles and receivables, 2,557,573,242 common shares that were issued by SMB to the Parent Company in exchange for motor vehicles and receivables out of the 15,308,416,960 common shares issued by SMB are being held in escrow by the SEC pending the transfer of ownership of those motor vehicles in the name of SMB and proof of collection of receivables. Transfer of ownership of those motor vehicles and proof of collection of receivables are currently in process.

On November 5, 2008, SMB submitted to the SEC the required documentation for the transfer of ownership of motor vehicles and proof of collection of receivables. This is still being reviewed by the SEC, as of March 26, 2009.

On May 12, 2008, SMB listed its shares in the Philippine Stock Exchange pursuant to its listing application approved on March 26, 2008. SMB sold 77,052,000 shares to the public by way of a primary offer, and the Parent Company sold to the public 809,050,000 shares of its existing shares in SMB (including shares to cover for over-allotments) by way of a secondary offer, pursuant to a registration statement rendered effective by the Securities and Exchange Commission on April 28, 2008. The total shares offered represents 5.75% stake in SMB. The Group recognized a gain of P5,650 from the transaction.

e. Packaging Businesses

On April 12, 2007, the BOD approved the sale of up to 40% of the Parent Company's interests in its domestic packaging businesses under SMPSI and in its regional packaging businesses under SMPIL.

On April 27, 2007, the Parent Company executed the SMPSI Stock Purchase Agreement (SMPSI SPA) with Nihon Yamamura Glass Co., Ltd. (NYG), a leading Japanese manufacturer of glass and plastics packaging, for the sale of SMC's 35% stake in its domestic packaging businesses, subject to the completion of the closing terms and conditions under the SMPSI SPA. On the same date, the Parent Company and its wholly-owned foreign subsidiary, San Miguel Holdings, Limited (SMHL), also executed the SMPIL Stock Purchase Agreement (SMPIL SPA) with NYG for the sale of SMHL's 35% stake in its regional packaging businesses, subject to the completion of the closing terms and conditions under the SMPIL SPA.

On November 16, 2007, the Parent Company and NYG entered into the SMPSI Shareholder's Agreement and, together with SMHL, also entered into the SMPIL Shareholder's Agreement, in compliance with the requirements of the SMPSI SPA and the SMPIL SPA. The shareholders' agreements provide the terms and conditions that will govern the relationship among the Parent Company, SMHL and NYG as shareholders.

Also on the same date, the authorized capital stock of SMPIL was increased from US$0.001 to US$100. And pursuant to a written resolution of the BOD of SMPIL dated November 23, 2007, SMPIL approved, among others, the conversion of SMHL's shareholder advances in the amount of US$64.3 into 64,281,176 fully paid shares in SMPIL.

On November 29, 2007, the Parent Company and SMHL received P626 and US$4 as down payment for their 35% interest in SMPSI and SMPIL, respectively. The said amounts are presented as part of "Others" under "Accounts payable and accrued expenses" account (Note 17).

On December 18, 2007, the Parent Company entered into several deeds of assignment with SMPSI for the following assignments by the Parent Company in favor of SMPSI: (i) its receivables of P187.5 as full payment of the Parent Company's incorporation subscription payables, (ii) its receivables of P6,083 as full payment of the Parent Company's additional subscription of 5,294,180 SMPSI shares, (iii) effective January 1, 2008, its 60% equity in SYFMC with an aggregate book value of P68 as full payment of the Parent Company's additional subscription of 58,977 SMPSI shares, and (iv) certain fixed assets with an aggregate carrying value of P123 as full payment of the Parent Company's additional subscription of 106,627 SMPSI shares, subject to the approval by the SEC of SMPSI's applications for confirmation of valuation in respect of the issuances of shares from its existing unissued capital stock and the increase in its authorized capital stock.

On January 21, 2008, the SEC approved the increase in the authorized capital stock of SMPSI from P10,000 divided into 10,000,000 shares to P11,000 divided into 11,000,000 shares with the same par value of P1,000 each and the valuation of the assets assigned by the Parent Company in favor of SMPSI as consideration for the issuance by SMPSI of shares from its existing unissued capital stock.

On January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, the Parent Company and NYG entered into a deed of assignment of shares of stock pursuant to which the Parent Company assigned, transferred and ceded all its rights, interest and/or title over the Parent Company's 3,756,501 shares in SMPSI for P4,317. On the same date, and effective on the closing of the SMPIL SPA on January 31, 2008, SMHL and NYG entered into a deed of assignment of shares of stock pursuant to which SMHL assigned, transferred and ceded all its rights, interest and/or title over SMHL's 20,726,119 shares in SMPIL for US$21.

Also on January 30, 2008, effective on the closing of the SMPSI SPA on January 31, 2008, SMPSI and NYG entered into a deed of assignment of shares pursuant to which NYG assigned its 20% stake in SYFMC with an aggregate book value of P23 as full payment for its subscription of 19,659 SMPSI shares. On March 14, 2008, the SEC approved the valuation of NYG's shares in SYFMC. The relevant Certificate of Approval of Valuation was amended on April 23, 2008 to rectify the typographical error in the corporate name of SMPSI from "San Miguel Packaging Specialist, Inc." to "San Miguel Packaging Specialists, Inc.".

On the closing of the SMPSI SPA and the SMPIL SPA both on January 31, 2008, the Parent Company and SMHL received P3,691 and US$17, respectively, from NYG. Pending completion of the closing audit, the Group recognized a gain of P154 from the sale of 35% interest in SMPSI and SMPIL.

In connection with the sale, SMPSI changed its corporate name to "San Miguel Yamamura Packaging Corporation" as approved by the SEC on June 4, 2008. In addition, the BOD of SMPIL likewise approved the change in the corporate name of SMPIL to "San Miguel Yamamura Packaging International Limited" on January 3, 2008, and such change became effective on June 11, 2008.

f. SMBI

On January 10, 2007, the Parent Company incorporated SMBI with total authorized capital stock of P100 and an initial paid-up capital of P6.25. SMBI is engaged in the manufacturing, exporting, importing, selling and distribution of juice drinks, fruit drinks, water and water-based drinks, malt-based and coffee-based drinks and other beverage products. Actual commercial operations of SMBI started on March 19, 2007.

On November 1, 2008, GSMI entered into an asset purchase agreement with SMBI for the purchase of SMBI's assets at net book value totaling P1,039, subject to adjustments as may be warranted by circumstances transpiring prior to closing date and which affect the value of the assets. Twenty-five percent (25%) of the purchase price was settled upon execution of the agreement, and thereafter the remaining balance shall be payable in six (6) equal monthly installments. On December 8, 2008, GSMI also entered into a service agreement with SMBI whereby the latter shall render various services to GSMI related to the production, promotion, sale and distribution of non-alcoholic beverages products as well as the operation of beverage assets. In consideration of the services to be rendered by SMBI, GSMI shall pay monthly service fee in the amount of P21. The term of the agreement is for six (6) months commencing on November 1, 2008 and expiring on April 30, 2009 and extendible upon mutual written agreement of the parties.

On December 31, 2008, the closing date of the transaction, the purchase price was adjusted to P1,117.

g. SMDCi

On June 18, 2007, the Parent Company formed SMDCi with an authorized capital stock of P100. SMDCi was incorporated primarily to engage in, conduct, and carry on the business of distribution and logistic managements. SMDCi started commercial operations on August 1, 2007.

h. SMAH

On November 8, 2007, the Parent Company through SMBPL, signed a definitive agreement to sell its SMAH shares including its premium Tasmanian brewer, J. Boag, to Lion Nathan Australia Pty. Ltd., an Australian alcoholic beverages company, for a purchase price of A$325, subject to adjustments at completion of closing audit (Note 6).

i. SMFAH

On November 8, 2007, the Parent Company through SMFL reached an agreement with Kirin Holdings (Australia) Pty. Ltd. to sell its Australian dairy and juice business, SMFAH, for a purchase price of A$752 (net of external debt and shareholder loans) subject to adjustments at completion of closing audit. The sale also includes NFL's shares in Berri, King's and Lactos (Note 6).

j. CCBPI

On December 13, 2006, the BOD approved the Share Purchase Agreement (SPA) with CCSAHI (the "Purchaser") for the sale of 65% equity in CCBPI.

On December 23, 2006, the Parent Company together with its two wholly-owned subsidiaries, SMBPL and SMHL, (collectively referred to as the "Sellers") entered into an SPA with the Purchaser for the sale of their combined 65% equity in CCBPI for a total consideration of US$590. The agreement provides that the closing of the sale transaction shall be subject to the completion of all the pre-closing conditions stipulated in the SPA. The closing date shall take place 3 business days after the satisfaction of all the pre-closing conditions or such other date that may be mutually agreed in writing by all parties, provided that the closing date shall not be later than March 31, 2007 without the mutual written agreement of all parties.

On February 20, 2007, SMBPL and SMHL sold to the Parent Company their respective equity in CCBPI consisting of 726,291 common shares for P11,559 and 119,477 Class A preferred shares for P9,175, respectively.

On February 21, 2007, the Sellers entered into an Amendment to the SPA with the Purchaser amending certain provisions of the SPA executed on December 23, 2006. The amendments include, among others, a clarification that the closing accounts defined in the SPA shall mean the consolidated balance sheet of CCBPI as at February 23, 2007 and the requirement for the delivery, on closing date, by the Sellers to the Purchaser of certain documents.

As discussed in Note 6, on February 22, 2007, the Parent Company and the Purchaser executed a Deed of Sale of Shares of Stock covering the Parent Company's 65% equity in CCBPI consisting of 766,121 common shares and 172,942 Class A preferred shares for US$590.

k. SMPFC

In December 2005, the Parent Company subscribed to an additional 13,879,434 shares of stock of SMPFC for P850. On February 9, 2006, the SEC approved the amendment of SMPFC's Articles of Incorporation to include a provision on the denial of pre-emptive rights to stockholders with respect to the issuance of said shares of stock to the Parent Company.

In December 2006, the Parent Company's BOD approved the transfer to SMPFC, effective January 1, 2007, subject to necessary approvals, of its share interest in SMFI, Magnolia and MFC at respective book values as of September 30, 2006 totaling P4,591. In exchange, SMPFC issued to the Parent Company its equivalent shares valued at the latest traded price as of September 30, 2006.

In September 2007, the applications for the approval of the transfer and SMPFC's increase in its authorized capital stock and confirmation of valuation of shares of the Parent Company in SMFI, Magnolia and MFC given by way of payment for the shares of SMPFC was approved by the SEC. Following the SEC's approval, SMPFC issued 70,865,078 shares to the Parent Company in November 2007 out of its unissued shares and increase in authorized capital stock. This resulted to an increase in the Parent Company's ownership from 99.83% to 99.92%.

On February 1, 2008, the BIR confirmed the tax-free exchange between SMPFC and the Parent Company.

l. Magnolia

On February 5, 2007, Magnolia issued to SDI 11,116,854 Class "B" common shares of its stock valued at net book value as of May 31, 2006, in exchange for certain machinery and equipment with an appraised value of P19.8 as of November 27, 2006. SDI then declared the said Magnolia shares as property dividend to the Parent Company.

The issuance of shares of stock to SDI in exchange of machinery and equipment and the declaration of the shares as property dividend by SDI to the Parent Company were approved by the SEC in February and March 2007, respectively.

m. SMPFVN

In October 2006, the Parent Company through SMPFVN entered into a Sale and Purchase Agreement (the "SPA") with Le Gourmet Company Limited ("Le Gourmet"), for the purchase of certain tangible assets, trademarks, processes and information, as well as the take over of the land use rights of Le Gourmet for the purchase price of US$2.1. These assets are used by Le Gourmet in relation to the processing and sale of its meat products in Vietnam. The completion of the transaction was subject to the terms and conditions specified in the SPA, including the relevant governmental approvals of the transaction in Vietnam. The transaction has been completed on December 12, 2007.

n. SMMI

Pursuant to the Deed of Assignment executed by SMFI and SMMI in 2005 transferring certain assets and liabilities of SMFI's Flour Division at historical book value of P1,646 in exchange for SMMI's shares to be effective January 1, 2006, and

the SEC's approval of such transfer and SMMI's increase in its authorized capital stock on March 27, 2007, SMMI issued to SMFI 16,454,816 of its common shares on April 10, 2007 in exchange for the transfer of said assets and liabilities. SMFI subsequently declared as property dividend its shares in SMMI in favor of the Parent Company.

In January 2008, the Parent Company executed a Deed of Assignment assigning its 16,454,816 shares in SMMI to SMPFC effective December 28, 2007. Following the Parent Company's transfer of its interest, SMFI became a wholly-owned subsidiary of SMPFC.

As of March 26, 2009, the declaration of SMFI's shares in SMMI as property dividend in favor of the Parent Company is still pending approval with the SEC.

o. RealSnacks

As of December 31, 2008, RealSnacks has not yet started commercial operations.

Investments in Shares of Stock and Advances to Associates and Other Investments

Investments in shares of stock of and advances to associates and other investments consist of:

	Note	**2008**	2007
Investments in associates - at equity:			
Acquisition cost			
Balance at beginning of year		**P232**	P4,319
Additions		**32,594**	-
Disposals		**-**	(3,851)
Cumulative translation adjustment and others		-	(206)
Transfer to assets held for sale		-	(30)
		32,826	232
Accumulated equity in net earnings:			
Balance at beginning of year		**(12)**	212
Equity in net earnings (losses) during the year		**(1,132)**	246
Accumulated equity on investments disposed of and others		**(19)**	(32)
Accumulated equity of investment transferred to assets held for sale		-	(438)
Balance at end of year		**(1,163)**	(12)
		31,663	220
Available-for-sale investments	*36, 37*	**590**	551
		P32,253	P771

The carrying values of investments in shares of stock of associates are as follows:

	Percentage of Ownership	**2008**	2007
Manila Electric Company (Meralco)	27	**P30,971**	P -
Bank of Commerce (BOC)	30	**465**	-
Northpine Land, Inc. (Northpine) [formerly Jardine]	20	**227**	220
		P31,663	P220

Following are the unaudited condensed and combined financial information of the associates:

	2008	2007	2006
Current assets	**P93,633**	P1,678	P12,217
Current liabilities	**131,582**	889	7,158
Noncurrent assets	**172,880**	8,079	23,144
Noncurrent liabilities	**82,829**	2,808	11,662
Revenue	**198,577**	735	14,654
Net income (loss)	**(3,493)**	515	672

a. Meralco

On October 27, 2008, the Parent Company entered into a sale and purchase agreement with the Government Service Insurance System to acquire the latter's 300,963,189 shares of Meralco for a total consideration of P27,087 plus an additional fixed term interest of P3,758. On November 10, 2008, the Parent Company paid P5,417 representing downpayment for said shares with the balance payable in three (3) years.

The fair value of the Parent Company's investment in Meralco amounts to P16,553 as of December 31, 2008.

b. KSA

On December 14, 2007, the Parent Company through SMPI entered into a Share Purchase Agreement (SPA) to sell its 354,862 common shares (equivalent to 29.38% ownership) in KSA with carrying amount equivalent to its acquisition cost plus accumulated equity in net earnings of P468 to Shang Properties, Inc. (SPI) for a total consideration of P1,812. The Group recognized a gain of P1,182, net of capital gains tax of P162. The transaction was completed on January 14, 2008 (Note 6).

c. BOC

In October 2007, SMPI and SMCRP entered into a subscription agreement pursuant to which SMPI and SMCRP agreed to subscribe, subject to certain terms and conditions, to 10,000,000 unissued and unsubscribed common shares of BOC with an aggregate par value of P1,000 (P100 per share) for P2,000 (P200 per share), equivalent to 34% of the total outstanding capital stock of BOC, with SMPI and SMCRP holding 30% and 4% equity ownership interest, respectively. In 2007, SMPI paid P500 to BOC, this was presented as part of noncurrent receivables and

deposits under "Other noncurrent assets" account as of December 31, 2007 (Note 15).
In April 2008, SMPI and SMCRP paid the balance of its payable to BOC for its subscirption amounting to P1,500, of which P1,249 and P251 were paid by SMPI and SMCRP, respectively.

In May 2008, SMPI and SMCRP entered into a subscription agreement with BOC for a total of 10,000,000 additional shares in BOC, wherein SMPI subscribed to an additional 3,001,779 shares, from the increase in the authorized capital stock of BOC with an aggregate par value of P300 (P100 per share) for P600 (P200 per share) to maintain its 30% stake in BOC, while SMCRP will increase its holdings in BOC to 21%. As of December 31, 2008, SMPI has made an advance payment of P150 which is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account (Note 15).

In computing for the equity in net losses and comprehensive losses of BOC, SMPI made adjustments in the 2008 audited financial statements of BOC to conform with the Group's accounting policies in accordance with PFRS. Certain accounting policies applied by BOC in its financial statements are not in accordance with PFRS, hence the auditors' report on these financial statements were modified. The adjustments made by the SMPI relates to (a) inadequate reserves on non-performing assets, investment properties and financial assets; (b) deferral of losses on sale of non-performing loans; and (c) misstatement in the values of structured financial instruments and certain investments properties. Management made an evaluation on the recoverability of the carrying value of investment in BOC as of December 31, 2008, using discounted cash flow method. Management believes that its acquisition of the significant equity interest in BOC provided the latter with fresh capital and better opportunities, such as additional business that the Group may bring in to BOC, to improve its operations (i.e. liquidity and profitability). The additional subscription of SMPI and SMCRP will further improve its capital base and liquidity. On the basis of these premises, management determined that the carrying amount of the investment is lower than its recoverable amount and that no impairment loss on the investment is required to be recognized for the year ended December 31, 2008.

d. NutriAsia Pacific San Miguel Holdings Ltd. (NSMH)

In April 2007, the Parent Company, through San Miguel Foods Asia Limited (SMFAL), entered into a Share Purchase Agreement with Well Grounded Limited for the sale of SMFAL's 42.22% equity and other interest in NSMH for US$150. NSMH is the holding company of Nutri Asia Pacific Limited (NPL), which in turn is the parent company of Del Monte Pacific Ltd. The amount of US$130 was received on April 25, 2007 as partial payment for the transaction. The balance of US$20 shall be subject to interest of 7.2% per annum. The principal amount and all interest accrued shall be due and payable on April 24, 2009. The unpaid balance is presented as part of noncurrent receivables and deposits under "Other noncurrent assets" account (Note 15). The gain recognized from the said transaction amounted to US$46 (P2,149).

e. Thai San Miguel Liquor Co. Ltd. (TSML) [formerly C.N.T. Wine and Liquor Company Limited (CNT)]

On November 23, 2004, the Parent Company through GSMI, entered into a Share Purchase Agreement ("SPA") with Thai Life Group of Companies (the "Seller") for the purchase of 40% of the outstanding shares of TSML, a limited company organized under the laws of Thailand. TSML holds a license in Thailand to engage in

the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets. Also, on the same date, GSMI and the Seller entered into a Joint Venture Agreement covering the ownership and operation of TSML and the joint control, rights, obligations and responsibilities of GSMI and the Seller, as stockholders. In November 2004, GSMI incorporated GSMIL and subsequently assigned its rights and obligations under the SPA and the joint venture to GSMIL, including its rights to purchase 40% ownership of the outstanding shares of TSML. On December 15, 2004, all the closing conditions for the execution of the SPA were satisfied and the purchase was effected.

On June 29, 2007, GSMI incorporated Ginebra San Miguel International Holdings Ltd. (GSMIHL), as a wholly-owned subsidiary. GSMIHL was organized to be the holding company of Thai Ginebra Trading Co. Ltd. (TGT). TGT, which was formed as another joint venture by GSMI, with its Thai counterparty, will function as the selling and distribution arm of TSML. GSMI, with GSMIHL as its holding company, purchased 40% ownership of the outstanding shares of TGT.

On August 27, 2008 and September 11, 2008, GSMI incorporated Global Beverage Holdings, Limited (GBHL) and Siam Holdings Limited (SHL), respectively, as wholly-owned subsidiaries. GSMI subscribed to 1,000 shares of GBHL at par value of US$1 per share for a total subscription value of US$0.001 (P0.05) and 1,000 shares of SHL at par value of US$1 per share for a total subscription value of US$0.001 (P0.05). Both entities are established as holding companies for the acquisition of additional investment in TSML and TGT.

On October 14, 2008, GSMI, through SHL, acquired 24,500 shares representing 49% ownership of the outstanding shares of Siam Wine and Liquor Co. Ltd. (SWLCL), a limited company organized under the laws of Thailand, for Thailand Baht 2 (P3). On the same date, SWLCL acquired 1,000,000 shares representing 10% ownership of the outstanding capital stock of TSML for Thailand Baht 106.48 (P148). SHL's share on the share purchase is Thailand Baht 52.2 (P72.) for 490,000 shares at Thailand Baht 108.68 per share representing 4.9% ownership. Accordingly, the Group's share in TSML increased from 40% to 44.9%.

On October 14, 2008, GSMI advanced a total amount of US$3 (P147) to GBHL. On October 10, 2008, GBHL ("Lender") entered into a loan agreement with SWLCL ("Borrower") for the same amount, to finance the latter's working capital requirements and purchase of additional shares in TSML and TGT.

Presented below is the Group's share in the assets, liabilities, income and expenses of the joint venture as of and for the years ended December 31, 2008, 2007 and 2006 of TSML which is included in the Group's consolidated financial statements:

	2008	2007	2006
Current assets	**P459**	P323	P240
Noncurrent assets	**911**	843	360
Current liabilities	**288**	86	21
Noncurrent liability	**526**	526	-
Revenue	**402**	-	-
Cost of goods sold	**398**	-	-
Other income	**1**	1	3
Expenses	**70**	34	6
Net loss	**65**	33	3

The Group's share in the cash flows of TSML for the years ended December 31, 2008, 2007 and 2006 are as follows:

	2008	2007	2006
Operating activities	**P88**	(P62)	(P62)
Investing activities	**(70)**	(483)	(168)
Financing activities	**(20)**	536	-

On October 14, 2008, SWLCL acquired 5,000 shares representing 10% ownership of the outstanding capital stock of TGT for Thailand Baht 0.5 (P0.7). SHL's share on the share purchase is Thailand Baht 0.2 (P0.3) for 2,450 shares at Thailand Baht 100 per share representing 4.9% ownership. Accordingly, the Group's share in TGT increased from 40% to 44..9%.

Presented below is the Group's share in the assets, liabilities, income and expenses of the joint venture as of and for the period ended December 31, 2008 and 2007 of TGT which is included in the Group's consolidated financial statements:

	2008	2007
Current assets	**P142**	P3
Noncurrent assets	**44**	1
Current liabilities	**219**	2
Noncurrent liabilities	**29**	-
Revenue	**153**	-
Cost of goods sold	**121**	-
Other income	**0.7**	-
Expenses	**92**	2
Net loss	**60**	2

The Group's share in the cash flows of TGT for the period ended December 31, 2008 and 2007 is as follows:

	2008	2007
Operating activities	**P18**	(P7)
Investing activities	**(43)**	(1)
Financing activities	**29**	-

TSML and TGT both started commercial operations in March 2008.

f. Philippine Nutrition Technologies, Inc. (PNTI)

In 2007, SMPFC provided full allowance for the impairment in value of its investment in PNTI, a joint venture between SMPFC and the Great Wall Group of Taiwan.

As of March 26, 2009, application for the dissolution of PNTI is yet to be filed with the SEC, pending the receipt of clearance from the BIR.

g. Available-for-sale investments pertain to various investments in shares of stock carried at fair value

In 2007, outstanding receivables of the Group with a local bank, including interest earned were exchanged with 940,560,000 common B shares of another local bank. The fair market value of the shares amounting to P357 was included as part of available-for-sale investments under "Investments and advances" account. Consequently, the Parent Company paid its subsidiaries for the outstanding amounts due them.

11. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Gross carrying amount:											
December 31, 2006		P16,488	P31,211	P86,212	P5,093	P19,612	P4,270	P879	P800	P10,563	P175,128
Additions for the year		573	1,572	7,430	119	314	218	130	79	(1,125)	9,310
Disposals/reclassifications		(6,685)	(7,918)	(17,960)	(2,122)	(15,273)	(1,696)	(596)	(54)	(1,641)	(53,945)
Transfer to assets held for sale	*6*	(86)	(734)	(1,261)	-	-	-	-	-	-	(2,081)
Currency translation adjustments		(1,409)	(2,917)	(5,725)	(389)	(2,721)	(341)	(18)	-	(336)	(13,856)
December 31, 2007		8,881	21,214	68,696	2,701	1,932	2,451	395	825	7,461	114,556
Additions for the year		350	1,234	5,143	406	115	97	140	24	(1,072)	6,437
Disposals/reclassifications		(187)	(50)	(7)	(226)	(282)	(4)	(17)	(9)	(1,623)	(2,405)
Currency translation adjustments		145	1,575	3,513	39	89	62	9	-	613	6,045
December 31, 2008		**9,189**	**23,973**	**77,345**	**2,920**	**1,854**	**2,606**	**527**	**840**	**5,379**	**124,633**
Accumulated depreciation and amortization:											
December 31, 2006		1,661	6,783	46,751	4,022	9,867	3,784	712	282	-	73,862
Additions for the year		174	841	3,448	268	1,162	319	106	45	-	6,363
Disposals/reclassifications		(628)	(1,723)	(12,854)	(2,051)	(8,119)	(1,834)	(517)	(18)	-	(27,744)
Transfer to assets held for sale	*6*	(5)	(69)	(435)	-	-	-	-	-	-	(509)
Currency translation adjustments		(128)	(553)	(2,933)	(351)	(1,351)	(264)	(13)	-	-	(5,593)
December 31, 2007		1,074	5,279	33,977	1,888	1,559	2,005	288	309	-	46,379
Additions for the year		90	663	3,511	231	121	169	108	40	-	4,933
Disposals/reclassifications		(124)	(97)	(704)	(122)	(249)	(57)	1	(15)	-	(1,367)
Currency translation adjustments		14	354	1,292	30	79	40	6		-	1,815
December 31, 2008		**1,054**	**6,199**	**38,076**	**2,027**	**1,510**	**2,157**	**403**	**334**	**-**	**51,760**

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
Accumulated impairment losses:										
December 31, 2006	P185	P503	P2,710	P -	(P129)	P9	P2	P -	P -	P3,280
Additions for the year	-	510	950	1	-	-	-	-	-	1,461
Disposals/reclassifications	(157)	(35)	(482)	-	119	(2)	-	-	-	(557)
Currency translation adjustments	(28)	(60)	(294)	-	21	(1)	-	-	-	(362)
December 31, 2007	-	918	2,884	1	11	6	2	-	-	3,822
Additions for the year	-	-	-	-	-	-	-	-	-	-
Disposals/reclassifications	-	-	(46)	-	(3)	8	-	-	-	(41)
Currency translation adjustments	-	172	604	-	2	1	-	-	-	779
December 31, 2008	**-**	**1,090**	**3,442**	**1**	**10**	**15**	**2**	**-**	**-**	**4,560**
Net book value:										
December 31, 2007	P7,807	P15,017	P31,835	P812	P362	P440	P105	P516	P7,461	P64,355
December 31, 2008	**P8,135**	**P16,684**	**P35,827**	**P892**	**P334**	**P434**	**P122**	**P506**	**P5,379**	**P68,313**

Depreciation, amortization and impairment losses charged to operations amounted to P4,933, P7,824 and P7,511 in 2008, 2007 and 2006, respectively. Of the said amounts, P1,659 and P2,482 in 2007 and 2006, respectively, were presented as part of discontinued operations and P1,461 was presented as part of loss on impairment of property, plant and equipment and idle assets under "Other income (charges)" account in 2007 (Notes 6, 24 and 28). These amounts include annual amortizations of capitalized interest amounting to P2, P23 and P90 in 2008, 2007 and 2006, respectively. No interest was capitalized in 2008.

In 2008, the Group, through SMPI, sold its parcel of land, including improvements located along Aurora Boulevard, Quezon City for a total consideration of P1,616. The gain recognized by the Group relating to the sale amounting to P1,562, is presented as part of "Gain on sale of investments and property, plant and equipment".

Land and land improvements include a 144-hectare property in Sumilao, Bukidnon, acquired by SMFI in 2002, which later became the subject of a petition for revocation of conversion order filed by MAPALAD, a group of Sumilao farmers, with the Department of Agrarian Reform (DAR), and appealed to the Office of the President (OP). Total acquisition and development costs included in the account as of December 31, 2008 amounted to P37.

To settle the land dispute, a Memorandum of Agreement (MOA) was executed between SMFI, MAPALAD, OP and DAR on March 29, 2008. The MOA provided for the release of a 50-hectare portion of the property to qualified farmer-beneficiaries, and the transfer of additional 94 hectares outside of the property to be negotiated with other Sumilao landowners. Under the MOA, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion. Implementation of the MOA provisions is ongoing.

Construction in Progress (CIP) includes the cost of farm improvements, buildings and machinery and equipment totaling P481 incurred for Montery hog farm expansion project situated in Sumilao.

12. Investment Properties

The movements in investment properties, including the effects of currency translation adjustments follow:

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Tools and Small Equipment	Total
Cost:					
December 31, 2006	P1,752	P574	P -	P -	P2,326
Additions/reclassifications	88	(33)	633	9	697
Currency translation adjustments	(249)	(4)	-	-	(253)
December 31, 2007	1,591	537	633	9	2,770
Additions/reclassifications	59	64	380	-	503
Disposals	(12)	(15)	-	-	(27)
Currency translation adjustments	127	85	-	-	212
December 31, 2008	**1,765**	**671**	**1,013**	**9**	**3,458**
Accumulated depreciation :					
December 31, 2006	50	152	-	-	202
Additions/reclassifications	15	(9)	541	9	556
Currency translation adjustments	(9)	-	-	-	(9)
December 31, 2007	56	143	541	9	749
Additions	7	13	7	-	27
Disposals/reclassifications	23	33	353	-	409
Currency translation adjustments	(13)	33	-	-	20
December 31, 2008	**73**	**222**	**901**	**9**	**1,205**
Accumulated impairment losses :					
December 31, 2006	341	39	-	-	380
Additions/reclassifications	36	-	-	-	36
Currency translation adjustments	(42)	(1)	-	-	(43)
December 31, 2007	335	38	-	-	373
Additions/reclassifications	5	-	-	-	5
Disposals	-	(13)	-	-	(13)
Currency translation adjustments	2	48	-	-	50
December 31, 2008	**342**	**73**	**-**	**-**	**415**
Net book value:					
December 31, 2007	P1,200	P356	P92	P -	P1,648
December 31, 2008	**P1,350**	**P376**	**P112**	**P -**	**P1,838**

The fair value of investment properties as of December 31, 2008 and 2007 amounted to P2,758 and P2,067, respectively, which were determined based on valuations performed by independent appraisers.

13. Biological Assets

This account consists of poultry, hogs and cattle as follows:

	2008	2007
Current:		
Growing stocks	**P2,707**	P2,165
Goods in process	**225**	159
Total Current	**2,932**	2,324
Noncurrent breeding stocks - net	**1,814**	1,319
	P4,746	P3,643

The amortization of breeding stocks charged to operations amounted to P863 in 2008, P754 in 2007 and P614 in 2006.

Growing stocks pertain to growing broilers, hogs and cattle and goods in process pertain to hatching eggs and carcass.

The movements in biological assets, including the effects of foreign exchange adjustments are as follows:

	2008	2007
Gross:		
Balance at beginning of year	**P5,054**	P3,863
Increase (decrease) due to:		
Purchases	**14,608**	10,084
Production	**33,540**	5,908
Mortality	**(31)**	(31)
Sales	**(2,745)**	(207)
Harvest	**(43,593)**	(14,604)
Currency translation adjustments	**(66)**	41
Balance at end of year	**6,767**	5,054
Accumulated amortization:		
Balance at beginning of year	**1,411**	724
Additions	**863**	754
Disposals and others	**(253)**	(67)
Balance at end of year	**2,021**	1,411
Net book value	**P4,746**	P3,643

The Group harvested approximately 322.9 million kgs. and 298.2 million kgs. of grown broilers, in 2008 and 2007, respectively, and 674,458 and 752,879 heads of marketable hogs and cattle, in 2008 and 2007, respectively.

14. Goodwill and Other Intangible Assets

The movements in goodwill, including effects of currency translation adjustments are as follows:

	Note	**2008**	2007
Balance at beginning of year		**P5,348**	P72,899
Additions		**-**	30
Disposals	*6*	**-**	(62,061)
Impairment	*28*	**(322)**	-
Transfer to assets held for sale	*6*	**-**	(864)
Currency translation adjustments		**175**	(4,656)
Balance at end of year		**P5,201**	P5,348

The movements in other intangible assets, including the effects of currency translation adjustments are as follows:

	Trademarks and Brand Names	**Others**	**Total**
Cost:			
December 31, 2006	P26,190	P2,712	P28,902
Additions	-	254	254
Disposals and reclassifications	(23,177)	(626)	(23,803)
Currency translation adjustments	(1,051)	(313)	(1,364)
December 31, 2007	1,962	2,027	3,989
Additions	78	73	151
Disposals and reclassifications	-	241	241
Currency translation adjustments	211	273	484
December 31, 2008	**2,251**	**2,614**	**4,865**
Accumulated amortization and impairment losses:			
December 31, 2006	-	787	787
Additions	-	200	200
Disposals and reclassifications	-	(136)	(136)
Currency translation adjustments	-	(64)	(64)
December 31, 2007	-	787	787
Additions	-	92	92
Disposals and reclassifications	-	102	102
Currency translation adjustments	-	72	72
December 31, 2008	**-**	**1,053**	**1,053**
Net book value:			
December 31, 2007	P1,962	P1,240	P3,202
December 31, 2008	**P2,251**	**P1,561**	**P3,812**

Goodwill acquired through business combinations and trademarks and brand names with indefinite lives have been allocated to individual cash-generating units, which are also reportable segments, for impairment testing as follows:

	2008		2007	
	Goodwill	**Trademarks and Brand Names**	Goodwill	Trademarks and Brand Names
Beverage	**P1,311**	**P2,012**	P1,230	P1,801
Food	**2,950**	**239**	3,255	161
Packaging	**879**	**-**	802	-
Others	**61**	**-**	61	-
Total	**P5,201**	**P2,251**	P5,348	P1,962

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five year period based on long range plans approved by management. Cash flows beyond the five year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 6% to 14% in December 31, 2008 and 2007. The discount rates also impute the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The calculations of value in use are most sensitive to the following assumptions:

Gross Margins. Gross margins are based on average values achieved in period immediately before the budget period. These are increased over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

Discount Rates. The Group uses the weighted average cost of capital as the discount rates, which reflect management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.

Raw Material Price Inflation. Forecast consumer price are obtained from indices during the budget period from which raw materials are purchased. Value assigned to key assumption is consistent with external sources of information.

On December 31, 2008, an impairment loss on the goodwill of SDI amounting to P322 was recognized and is included in "Other income (charges)" account (Note 28). No impairment loss on goodwill was recognized in 2007.

15. Other Noncurrent Assets

	Note	**2008**	2007
Noncurrent receivables and deposits - net	*6, 10, 30, 35, 36, 37*	**P7,439**	P7,437
Deferred containers - net	*4*	**3,708**	3,187
Others - net	*28, 31, 36, 37*	**3,094**	3,064
		P14,241	P13,688

Idle assets included under "Others" amounted to P65 and P122 as of December 31, 2008 and 2007, respectively (Note 28).

Derivative assets included under "Others" amounted to P1 and P19 as of December 31, 2008 and 2007, respectively (Note 37).

16. Drafts and Loans Payable

This account consists of:

	2008	2007
Parent Company		
Peso-denominated	**P22,700**	P28,662
Foreign currency-denominated	**6,605**	2,229
Subsidiaries		
Peso-denominated	**16,783**	11,895
Foreign currency-denominated	**2,472**	1,445
	P48,560	P44,231

Drafts and loans payable mainly represent unsecured peso and foreign currency-denominated amounts payable to local and foreign banks. Interest rates for peso-denominated loans range from 7.25% to 9.75% and 4.375% to 8.50% in 2008 and 2007, respectively. Interest rates for foreign currency-denominated loans range from 2.69% to 15.77% and 5.35% to 6.65% in 2008 and 2007, respectively.

17. Accounts Payable and Accrued Expenses

	Note	**2008**	2007
Trade	*36, 37*	**P9,061**	P7,746
Non-trade	*10, 36, 37*	**8,985**	9,183
Amounts owed to related parties	*29, 36, 37*	**24**	-
Others	*10, 31, 36, 37*	**5,222**	3,382
		P23,292	P20,311

Derivative liabilities included under "Others" amounted to P2,353 and P895 as of December 31, 2008 and 2007, respectively (Note 37).

18. Redeemable Preferred Shares

As of December 31, 2006, the Group's redeemable preferred shares representing Class "A" and Class "B" preferred shares of CCBPI, are mandatorily redeemable on March 31, 2007. Such preferred shares, are initially classified as debt due to its mandatory redemption feature which signifies a contractual obligation on the part of CCBPI to settle an obligation.

On November 22, 2006, CCBPI's BOD approved an amendment to its Articles of Incorporation to add a convertibility feature to CCBPI's Class "A" and "B" preferred shares. The Amended Articles of Incorporation of CCBPI was approved by the SEC on December 19, 2006. Due to the convertibility feature, CCBPI's redeemable preferred stock was reclassified as equity as of December 31, 2006.

On February 22, 2007, prior to the date of redemption, the preferred shares were disposed of (Note 6).

19. Long-term Debt

	2008	2007
Parent Company		
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus an agreed margin, with maturities up to 2012 [see (a) below]	**P43,454**	P48,758
	43,454	48,758
Subsidiaries		
Unsecured term notes:		
Fixed interest rate of 6.50% and 7.25% maturing in 2012 and 2014, respectively [see (b) below]	**2,211**	2,209
Foreign currency-denominated:		
Floating interest rate based on VNIBOR, THBFIX and discount from PBOC lending rate, plus an agreed margin, [see (c) below]	**4,098**	4,867
	6,309	7,076
	49,763	55,834
Less current maturities	**9,044**	1,222
	P40,719	P54,612

a. The amount represents drawdown by the Parent Company from the US$1,200 unsecured term loan facility to refinance a portion of its short-term loans and the remaining balance of its long-term loans. Unamortized debt issue costs related to this unsecured term loan facility amounted to P407 and P778 as of December 31, 2008 and 2007, respectively.

b. The amount represents unsecured syndicated loans obtained by SMYAC which were used for capital expenditure. Unamortized debt issue costs related to these loans amounted to P14 and P16 as of December 31, 2008 and 2007, respectively.

c. The amount includes unsecured loan obtained by SMFBIL's subsidiaries and SMYHG, which was used to finance their capital expenditures. It also includes the 44.9% and 40% share of the loan of TSML in 2008 and 2007, respectively, to finance its plant constructions and start up operations. Unamortized debt issue costs related to these loans amounted to P3 and P3 as of December 31, 2008 and 2007, respectively.

The debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

As of December 31, 2008 and 2007, the Group is in compliance with the covenants of the debt agreements.

The movements in debt issue costs are as follows:

	Note	**2008**	2007
Balance at beginning of year		**P797**	P796
Additions		**1**	864
Amortization	*26*	**(374)**	(904)
Cumulative translation adjustments and others		**-**	41
Balance at end of year		**P424**	P797

Repayment Schedule

As of December 31, 2008, the annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2009	P9,233	P189	P9,044
2010	17,411	136	17,275
2011	17,391	78	17,313
2012	4,706	18	4,688
2013	117	2	115
2014	1,329	1	1,328
	P50,187	**P424**	**P49,763**

20. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2008	2007
Unrealized intercompany charges and others	**P2,752**	(P618)
Allowance for impairment losses on trade and other receivables and inventory losses	**1,136**	1,282
MCIT	**916**	473
NOLCO	**775**	2,304
Undistributed net earnings of foreign subsidiaries	**(14,858)**	(11,942)
Cumulative translation adjustments	**(934)**	753
	(P10,213)	(P7,748)

The above amounts are reported in the consolidated balance sheets as follows:

	Note	**2008**	2007
Deferred tax assets	*4*	**P7,638**	P4,973
Deferred tax liabilities		**(17,851)**	(12,721)
		(P10,213)	(P7,748)

The undistributed earnings of foreign subsidiaries and cumulative translation adjustments for which deferred tax liabilities have not been recognized totaled P10,100 and P21,725 as of December 31, 2008 and 2007, respectively.

As of December 31, 2008, the NOLCO and MCIT of certain subsidiaries that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2006	December 31, 2009	P122	P35
2007	December 31, 2010	1,497	427
2008	December 31, 2011	962	454
		P2,581	**P916**

The components of the income tax expense are shown below:

	Note	**2008**	2007	2006
Current		**P7,907**	P435	P8,521
Deferred		**(1,809)**	4,085	(4,574)
Income tax expense from continuing operations		**6,098**	4,520	3,947
Income tax expense (benefit) from ordinary activities of discontinued operations	*6*	**(7)**	1,174	1,013
Income tax expense from gain on disposal of discontinued operations	*6*	**2,921**	4,596	-
		P9,012	P10,290	P4,960

The reconciliation between the statutory income tax rate on income from continuing operations before income tax and non-controlling interests and the Group's effective income tax rates are as follows:

	2008	2007	2006
Statutory income tax rate	**35.00%**	35.00%	35.00%
Increase (decrease) in income tax rate Resulting from:			
Interest income subjected to final tax	**(7.79)**	(5.79)	(8.03)
Equity in net earnings of associates	**1.91**	(0.45)	(0.16)
Others, mainly income subjected to different tax rates and change in tax rate - net	**0.25**	7.12	5.98
Effective income tax rates	**29.37%**	35.88%	32.79%

The aggregate current and deferred tax relating to items that are credited (charged) to equity amounted to (P934) and P753 in 2008 and 2007, respectively.

21. Stockholders' Equity

a. On July 24, 2007, the stockholders of the Parent Company approved the increase in SMC's authorized capital stock from P22,500 to P37,500, which will be made up of 3,600,000,000 Class "A" common shares, 2,400,000,000 Class "B" common shares and 1,500,000,000 preferred shares, all with a par value of P5 per share.

b. Class "A" common shares and Class "B" common shares have the same rights and privileges. Only Philippine citizens or corporations or associations that are at least 60% owned by Filipino citizens can own Class "A" common shares.

The movements in the number of issued shares of capital stock are as follows:

	2008	2007
Class "A"		
Balance at beginning of year	**1,975,292,245**	1,970,380,027
Issuances during the year	**648,370**	4,912,218
Balance at end of year	**1,975,940,615**	1,975,292,245
Class "B"		
Balance at beginning of year	**1,246,527,833**	1,243,040,673
Issuances during the year	**-**	3,487,160
Balance at end of year	**1,246,527,833**	1,246,527,833

c. Treasury shares, totaling 65,475,371 Class "A" and "B" common shares, are stated at acquisition cost.

Out of the total treasury shares, 25,450,000 common shares (15,274,484 Class "A" common shares and 10,175,516 Class "B" common shares), with an acquisition cost of P481, [net of the cost of the 1,000,000 shares paid to Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by the Parent Company with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of the Parent Company shares under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases pending before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan resolution requiring the Parent Company to deliver the 25,450,000 common shares shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares.

On October 10, 2000, the Parent Company filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than the Parent Company, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On September 19, 2003, the PCGG wrote the Parent Company to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan resolution upheld by the Supreme Court. The Parent Company referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD on December 4, 2003 the financial impact of compliance with the resolution considering "with and without due compensation" scenarios, and applying different rates of return to the original amount paid by the Parent Company. The financial advisor stated that if the Parent Company is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt

increase of approximately P2,100; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD that, among others, the facts reviewed showed that (a) the compromised shares had not been validly sequestered, (b) no timely direct action was filed to nullify the transaction, (c) no rescission can be effected without a return of consideration, (d) more importantly, requiring the Parent Company to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which the Parent Company is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that the Parent Company has "legal and equitable grounds to challenge the enforcement" of the Sandiganbayan resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that the Parent Company should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Case No. 033-F), the forfeiture case brought by the Government involving the so-called CIIF block of the Parent Company shares of stock of which the treasury shares are a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of the Parent Company shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of the Parent Company unanimously decided to (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of the Parent Company and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

The external legal counsel advised that because the Sandiganbayan had disallowed the Parent Company's intervention, the Sandiganbayan's disposition of the so-called CIIF block of SMC shares in favor of the Government cannot bind the Parent Company, and that the Parent Company remains entitled to seek the nullity of that disposition should it be claimed to include the treasury shares.

The external legal counsel also advised that the Government has, in its own court submissions, (i) recognized the Parent Company's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) taken the position that SMC and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation. The Executive Committee of the Parent Company approved the recommendation of external legal counsel on January 18, 2008 which was ratified by the BOD on March 6, 2008.

In the meantime, the Parent Company has available cash and shares of stock for the dividends payable on the treasury shares.

d. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries and associates amounting to P57,482, P44,199 and P40,299 in 2008, 2007 and 2006, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The Parent Company's unappropriated retained earnings as of December 31, 2008 and 2007 is restricted in the amount of P4,053 representing the cost of shares held in treasury.

e. The BOD of certain subsidiaries approved additional appropriations amounting to P176, P273 and P5 in 2008, 2007 and 2006, respectively, to finance future capital expenditure projects. Reversal of appropriations in 2008, 2007 and 2006 amounted to P688, P275 and P56, respectively.

22. Cost of Sales

Cost of sales consists of:

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Inventories		**P76,205**	P68,727	P57,328
Taxes and licenses		**19,703**	18,878	17,822
Depreciation, amortization and impairment losses	*24*	**4,660**	4,461	5,459
Contracted services		**4,296**	3,206	2,302
Communications, light and water		**4,232**	4,260	3,985
Freight, trucking and handling		**4,230**	2,511	3,722
Personnel	*25*	**3,815**	2,926	4,340
Fuel and oil		**3,267**	2,150	2,981
Repairs and maintenance		**1,584**	1,786	633
Rent	*4*	**550**	648	919
Others		**1,530**	509	72
		P124,072	P110,062	P99,563

23. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2008	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Selling	**P13,518**	P10,331	P9,462
Administrative	**15,633**	16,002	13,192
	P29,151	P26,333	P22,654

Selling expenses consist of:

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Advertising and promotions		**P5,697**	P4,258	P4,123
Personnel	*25*	**3,251**	2,592	2,439
Freight, trucking and handling		**2,049**	1,357	1,206
Rent	*4*	**995**	446	413
Supplies		**281**	447	230
Depreciation, amortization and impairment losses	*24*	**248**	305	231
Taxes and licenses		**213**	207	104
Communications, light and water		**169**	536	496
Professional Fees		**43**	86	18
Others		**572**	97	202
		P13,518	P10,331	P9,462

Administrative expenses consist of:

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Personnel	*25*	**P6,771**	P5,900	P6,173
Depreciation, amortization and impairment losses	*24*	**1,859**	1,750	1,036
Advertising and promotion		**1,614**	2,071	926
Professional fees		**1,283**	1,150	1,042
Repairs and maintenance		**867**	1,669	1,493
Supplies		**710**	433	415
Communications, light and water		**692**	706	571
Taxes and licenses		**617**	603	505
Rent	*4*	**251**	356	290
Others		**969**	1,364	741
		P15,633	P16,002	P13,192

24. Depreciation, Amortization and Impairment Losses

Depreciation, amortization and impairment losses are distributed as follows:

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Cost of sales:				
Property, plant and equipment	*11*	**P3,604**	P3,434	P3,934
Deferred containers, biological assets and others		**1,056**	1,027	1,525
	22	**4,660**	4,461	5,459
Selling and administrative expenses:				
Property, plant and equipment	*11*	**1,329**	1,270	1,095
Deferred containers and others		**778**	785	172
	23	**2,107**	2,055	1,267
		P6,767	P6,516	P6,726

"Others" include amortization of computer software, land use rights, licenses and investment properties.

25. Personnel Expenses

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Salaries and wages		**P6,440**	P4,530	P6,753
Retirement costs	*31*	**857**	1,236	714
Other employee benefits		**6,540**	5,652	5,485
		P13,837	P11,418	P12,952

Personnel expenses are distributed as follows:

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Cost of sales	*22*	**P3,815**	P2,926	P4,340
Selling expenses	*23*	**3,251**	2,592	2,439
Administrative expenses	*23*	**6,771**	5,900	6,173
		P13,837	P11,418	P12,952

26. Interest Expense and Other Financing Charges

	2008	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Interest expense	**P5,370**	P5,442	P6,490
Other financing charges	**662**	1,675	607
	P6,032	P7,117	P7,097

Amortization of debt issue costs in 2008, 2007 and 2006 included in other financing charges amounted to P374, P904 and P478, respectively (Note 19).

Interest expense and financing charges amounting to P2,984 and P3,665 in 2007 and 2006, respectively, were presented as part of discontinued operations (Note 6).

Interest expense on drafts and loans payable and long-term debt are as follows:

	2008	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Drafts and loans payable	**P2,960**	P2,165	P2,588
Long-term debt	**2,410**	3,277	3,902
	P5,370	P5,442	P6,490

27. Interest Income

	Note	2008	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Interest from short-term investments, cash in banks and others	*7*	**P4,320**	P939	P2,763
Interest income from a related party	*8*	**2,310**	1,148	-
		P6,630	P2,087	P2,763

Interest income amounting to P317 and P231 in 2007 and 2006, respectively, were presented as part of discontinued operations (Note 6).

28. Other Income (Charges)

	2008	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Foreign exchange gains	**P8,684**	P6,587	P2,768
Loss on impairment of goodwill, property, plant and equipment and idle assets [see (a), (b) and (c) below]	**(322)**	(1,744)	-
Loss on derivatives - net	**(10,718)**	(1,598)	(34)
Others - net	**94**	369	458
	(P2,262)	P3,614	P3,192

a. On December 31, 2008, the Group reviewed the recoverable amount of its investment in shares of stock of SDI. It was determined that the carrying amount of the investment is higher than its value in use and an impairment loss of P322 was recognized. The discount rate applied to after tax cash flow projections of SDI was 12%. The impairment loss was allocated fully to goodwill (Note 14).

b. On September 30, 2007, the Yuen Long plant of SMBHK has temporarily ceased operations. SMBHK reviewed the recoverable amount of the fixed assets of its plant and the carrying amount of such assets was written down by P1,461 to the value in use (Note 11). Value in use was calculated using the discounted value of the projected future cash flows to be generated over the remaining useful life of the plant. A pre-tax discount rate of 9.91% was applied to the projected future cash flows of the plant.

c. In 2007, SMPSI ceased operating two of its plants and one of its furnace. The corresponding building, machinery and equipment with an aggregate net book value of P405 have been reclassified from "Property, plant and equipment" account to "Other noncurrent assets" account (Note 15). These assets have been written down to their net realizable value based on reports by qualified property appraisers. The impairment charges relating to these assets amounted to P283.

29. Related Party Disclosures

Transactions with related parties are made at normal market prices. For the periods ended December 31, 2008, 2007 and 2006, the Group did not make any provision for impairment losses relating to amounts owed by related parties. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

a. The Parent Company has advances to SMCRP which amounted to P6,323 and P35,721 in 2008 and 2007, respectively, included as part of "Trade and other receivables" account (Note 8).

b. The significant transactions of the Group and Meralco include the following:

Year	Purchases of Utilities	Included under "Trade and other receivables" account	Included under "Accounts payable and accrued expenses" account
2008	P277	P168	P24

c. The compensation of key management personnel of the Group, by benefit type, follows:

	2008	2007	2006
Short-term employee benefits	**P200**	P262	P237
Retirement costs	**19**	49	28
Share-based payments	**53**	58	39
	P272	P369	P304

Some of the personnel performing key management functions in certain subsidiaries are employed by the Parent Company. This is covered by a management agreement executed by and between the Parent Company and the subsidiaries. The salaries and benefits of these personnel are billed to the subsidiaries through management fees, with details as follows:

	Note	**2008**	2007	2006
Short-term employee benefits		**P118**	P259	P271
Retirement costs		**9**	87	83
Share-based payments		**55**	23	22
	25	**P182**	P369	P376

30. Leasing Agreements

Finance Leases

Leases as Lessee
The Group's finance leases cover automobiles needed for business operations. The agreements do not allow subleasing. Some leases provide the Group with the option to purchase the equipment at a beneficial price. As of December 31, 2008, the net carrying amount of leased transportation equipment was P90.

The Goup's share in the minimum lease payments for these finance lease liabilities are as follows:

	Minimum lease payable	**Interest**	**Principal**
Within one year	P15	P2	P13
After one year but not more than five years	32	2	30
	P47	P4	P43

Leases as Lessor
The Group's lease receivable under finance lease as of December 31, 2008 and 2007 are as follows:

2008	**Minimum lease receivable**	**Interest**	**Principal**
Less than one year	**P6**	**P1**	**P5**
Between one and five years	**5**	**-**	**5**
	P11	**P1**	**P10**
2007			
Less than one year	P81	P19	P62
Between one and five years	68	12	56
	P149	P31	P118

Operating Leases

Leases as Lessor
The Group has entered into various property leases. These non-cancellable leases will expire up to year 2010. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

As of December 31, 2008, 2007 and 2006, the future minimum lease receipts under non-cancellable operating leases are as follows:

	2008	2007	2006
Within one year	**P94**	P278	P195
After one year but not more than five years	**114**	280	309
	P208	P558	P504

Rent income recognized in the consolidated statements of income amounted to P402, P256 and P240 in 2008, 2007 and 2006, respectively.

Leases as Lessee
The Group leases a number of office, warehouse and factory facilities under operating leases. The leases typically run for a period of two to seven years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

As of December 31, 2008, 2007 and 2006, non-cancellable operating lease rentals are payable as follows:

	2008	2007	2006
Within one year	**P290**	P118	P69
After one year but not more than five years	**748**	151	159
More than five years	**35**	124	82
	P1,073	P393	P310

31. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory retirement plans covering all of their permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2008. Valuations are obtained on a periodic basis.

Retirement costs recognized by the Parent Company to operations amounted to P422, P975 and P471 in 2008, 2007 and 2006, respectively, while those charged by the subsidiaries amounted to P435, P383 and P979 in 2008, 2007 and 2006, respectively. The Group's annual contribution to the retirement plans consists of payments covering the current service cost and amortization of past service liability.

The components of retirement costs recognized in the consolidated statements of income in 2008, 2007 and 2006 and the amounts recognized in the consolidated balance sheets as of December 31, 2008 and 2007 are as follows:

	2008	2007	2006
Current service cost	**P532**	P493	P548
Interest cost	**834**	796	1,542
Expected return on plan assets	**(772)**	(894)	(1,256)
Past service cost	**41**	-	-
Effect of curtailment	**-**	772	-
Net actuarial loss	**49**	397	124
Effect of asset limit	**-**	(102)	(60)
Amortization of transitional liability	**173**	120	552
Others	**-**	(224)	-
Net retirement costs	**P857**	P1,358	P1,450
Actual return on plan assets	**P477**	P3,614	P1,649

The retirement costs are recognized in the following line items in the consolidated statements of income:

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Cost of sales		**P144**	P120	P147
Selling and administrative expenses		**713**	1,116	567
Retirement costs of continuing operations	*25*	**857**	1,236	714
Reclassified to discontinued operations		**-**	122	736
		P857	P1,358	P1,450

The reconciliation of the assets and liabilities recognized in the consolidated balance sheets is as follows:

	Note	**2008**	2007
Present value of defined benefit obligation		**P11,080**	P11,332
Fair value of net plan assets		**10,232**	10,726
		848	606
Unrecognized actuarial loss	*4*	**(268)**	(184)
Unrecognized net transitional liability		**(66)**	(241)
Unrecognized past service cost		**(2)**	-
Net retirement liabilities		**P512**	P181

Net retirement assets and liabilities in 2008 are included as part of "Others" under "Other noncurrent assets" accounts amounting to P219 and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P613 and P118, respectively (Notes 15 and 17).

Net retirement assets and liabilities in 2007 are included under "Prepaid expenses and other current assets" and as part of "Others" under "Other noncurrent assets" accounts amounting to P1 and P11, respectively, and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P129 and P64, respectively (Notes 15 and 17).

The movements in the present value of defined benefit obligation are as follows:

	2008	2007
Balance at beginning of year	**P11,332**	P14,236
Actuarial losses/(gains)	**(163)**	2,536
Interest cost	**834**	796
Current service cost	**532**	493
Past service cost	**41**	-
Effect of curtailment	**-**	(845)
Benefits paid	**(1,496)**	(2,946)
Benefit obligation associated with discontinued operations	**-**	(2,938)
Balance at end of year	**P11,080**	P11,332

The movements in the fair value of the net plan assets are as follows:

	2008	2007
Balance at beginning of year	**P10,726**	P10,241
Expected return	**772**	894
Contributions by employer	**525**	1,119
Benefits paid	**(1,496)**	(2,946)
Actuarial gains/(losses)	**(295)**	2,721
Plan assets associated with discontinued operations	**-**	(1,303)
Balance at end of year	**P10,232**	P10,726

Plan assets consist of the following:

	In Percentages	
	2008	2007
Stock trading portfolio	**20**	12
Fixed income portfolio	**40**	49
Others	**40**	39

The plan assets include 751,362,391 and 407,939,071 Class "A" common shares and 153,609,529 and 111,971,529 Class "B" common shares of the Parent Company as of December 31, 2008 and 2007, respectively. The fair market values per share were P40.50 and P59 for Class "A" common shares and P42.50 and P59.50 for Class "B" common shares as of December 31, 2008 and 2007, respectively.

The overall expected rate of return is determined based on historical performance of investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2008	2007
Discount rate	**7 - 11**	7 - 8
Salary increase rate	**6**	6
Expected return on plan assets	**9**	10

The historical information for the current and previous three annual periods is as follows:

	2008	2007	2006	2005
Present value of the defined benefit obligation	**P11,080**	P11,332	P14,236	P15,045
Fair value of net plan assets	**10,232**	10,726	10,241	11,873
Deficit in the plan	**848**	606	3,995	3,172
Experience adjustments on plan liabilities	**6**	933	(188)	-

The Group expects to pay P857 in contributions to defined benefit plans in 2009.

32. Cash Dividends

Cash dividends declared by the Parent Company's BOD amounted to P1.40 per share in 2008 and 2007, and P1.05 per share in 2006.

33. Basic and Diluted Earnings Per Share

Basic and Diluted EPS is computed as follows:

	Note	**2008**	2007 (As Restated - Note 6)	2006 (As Restated - Note 6)
Net income from continuing operations attributable to equity holders of the Parent Company (a)		**P13,935**	P8,160	P7,887
Net income from discontinued operations attributable to equity holders of the Parent Company (b)	*6*	**5,413**	470	2,419
Net income attributable to equity holders of the Parent Company		**P19,348**	P8,630	P10,306
Weighted average number of shares outstanding (in millions) - basic (c)		**3,157**	3,153	3,143
Effect of dilution		**12**	7	6
Weighted average number of shares outstanding (in millions) - diluted (d)		**3,169**	3,160	3,149
Basic EPS from continuing operations (a/c)		**P4.41**	P2.59	P2.51
Basic EPS from discontinued operations (b/c)		**1.72**	0.15	0.77
		P6.13	P2.74	P3.28
Diluted EPS from continuing operations (a/d)		**P4.40**	P2.58	P2.50
Diluted EPS from discontinued operations (b/d)		**1.71**	0.15	0.77
		P6.11	P2.73	P3.27

34. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets and certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases/decreases in the consolidated balance sheets):

	2008	2007	2006
Accounts payable and accrued expenses	**P1,779**	P23,341	P6,586
Prepaid expenses and other current assets	**759**	(2,550)	(335)
Trade and other receivables	**731**	(4,389)	363
Income and other taxes payable and others	**(457)**	(4,198)	(4,035)
Inventories	**(4,100)**	3,001	(1,757)
	(P1,288)	P15,205	P822

b. Acquisitions of subsidiaries:

On May 1, 2006, the King's Island Company, Ltd., a wholly-owned subsidiary of NFL, acquired 100% of the share capital of Lactos. In 2007, NFL was sold to Kirin Holdings (Australia) Pty. Ltd. including its share in Lactos (Note 6).

	2006
Cash and cash equivalents	P1
Trade and other receivables and other current assets - net	820
Inventories - net	903
Property, plant and equipment - net	933
Other noncurrent assets - net	1,025
Accounts payable, accrued expenses and other current liabilities	(993)
Other noncurrent liabilities	(207)
Net assets	2,482
Cash and cash equivalents	(1)
Goodwill in subsidiaries	2,500
Net cash flows	P4,981

35. Share-Based Transactions

ESPP

Under the ESPP, 80,396,659 shares (inclusive of stock dividends declared) of the Parent Company's unissued shares have been reserved for the employees of the Group until 2009 (as amended and approved by the SEC in 2001 and 2003, respectively). A participating employee may acquire at least 100 shares of stock through payroll deductions.

On December 5, 2002, the Parent Company's BOD approved amendments to the ESPP. Under the amended ESPP, all permanent Philippine-based employees of the Group, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. The amendments to the ESPP are prospective in application. Existing subscriptions shall not be entitled to the rights granted under the amendments. The amendments of the ESPP were approved by the SEC on February 20, 2003.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the Parent Company until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date. The current portion of subscriptions receivable as of December 31, 2008 and 2007 amounted to P269 and P150, respectively, presented as part of others under "Trade and other receivables" account (Note 8). The noncurrent portion of P259 and P483 as of December 31, 2008 and 2007, respectively, is reported as part of noncurrent receivables and deposits under "Other noncurrent assets" account (Note 15).

The number of subscribed shares under the ESPP as of December 31, 2008 and 2007 are as follows:

	2008	2007
Class "A"		
Paid subscribed shares	**26,787,935**	25,304,857
Unpaid subscriptions	**6,365,600**	8,173,728
Class "B"		
Paid subscribed shares	**9,070,020**	8,129,160
Unpaid subscriptions	**7,053,700**	8,044,410
Total shares subscribed	**49,277,255**	49,652,155

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP.

The table below shows the number and weighted average exercise prices of grants:

	2008		2007		2006	
	Number of Shares	**Weighted Average Exercise Price**	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Class "A"						
Subscribed during the year	**3,745,100**	**42.36**	4,045,100	P56.14	4,039,850	P53.89
Cancelled during the year	**(3,125,900)**	**(53.07)**	(876,750)	(55.71)	(89,650)	(52.64)
Class "B"						
Subscribed during the year	**2,602,450**	**41.53**	3,970,300	63.26	2,368,050	64.99
Cancelled during the year	**(2,602,450)**	**(62.10)**	(1,010,650)	(67.06)	(238,150)	(70.52)

The average market price of the shares granted was P42.36, P70.40 and P65.30 per share in 2008, 2007 and 2006, respectively, for Class "A" common shares and P41.53 P74.14 and P76.84 per share in 2008, 2007 and 2006, respectively, for Class "B" common shares.

The average remaining contractual life of the ESPP was 0.60, 1.06 and 1.28 years as of December 31, 2008, 2007 and 2006, respectively, for Class "A" common shares and 0.46, 1.06 and 0.82 years as of December 31, 2008, 2007 and 2006, respectively, for Class "B" common shares.

LTIP

The Parent Company also maintains LTIP for executives of the Group. The options are exercisable at the fair market value of the Parent Company shares as of date of grant, with adjustments depending on the average stock prices of the prior three months. A total of 54,244,905 shares, inclusive of stock dividends declared, are reserved for the LTIP over its 10-year life. The LTIP is administered by the Executive Compensation Committee of the Parent Company's BOD.

On March 1, 2007, the Parent Company approved the grant of stock options to 822 executives consisting of 18,312,782 shares based on the closing price of the Parent Company's share, computed in accordance with the provisions of LTIP. Also on June 26, 2008, the Parent Company approved the grant of stock options to 742 executives consisting of 7,456,452 shares.

Options to purchase 12,450,337 shares and 6,649,520 shares in 2008 and 2007, respectively were outstanding at the end of each year. Options which were exercised and cancelled totaled about 1,757,429 shares and 2,477,505 shares in 2008 and 2007, respectively.

The stock options granted under the LTIP cannot be assigned or transferred by a participant and are subject to a vesting schedule. After one complete year from the date of the grant, 33% of the stock option becomes vested. Another 33% is vested on the second year and the remaining option lot is fully vested on the third year.

Vested stock options may be exercised at any time, up to a maximum of eight years from the date of grant. All unexercised stock options after this period are considered forfeited.

A summary of the status of the outstanding share stock options and the related weighted average exercise price under the LTIP is shown below:

	2008		2007		2006	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Class "A"						
Balance at beginning of year	**16,056,434**	**P62.36**	6,917,048	P59.69	8,313,402	P57.53
Granted during the year	**5,219,517**	**40.50**	10,987,673	63.50	-	-
Exercised during the year	**(29,170)**	**(56.53)**	(1,743,868)	(58.93)	(854,667)	(54.55)
Expired during the year	**(1,042,841)**	**(62.58)**	(104,419)	(62.97)	(541,687)	(34.71)
Balance at end of year	**20,203,940**	**P56.71**	16,056,434	P62.36	6,917,048	P59.69
Class "B"						
Balance at beginning of year	**10,359,853**	**P76.79**	3,663,962	P78.39	4,267,317	P75.13
Granted during the year	**2,236,935**	**40.50**	7,325,109	75.50	-	-
Exercised during the year	**-**	**-**	(527,510)	(68.42)	(223,072)	(64.73)
Expired during the year	**(685,418)**	**(77.39)**	(101,708)	(84.97)	(380,283)	(49.83)
Balance at end of year	**11,911,370**	**P69.94**	10,359,853	P76.79	3,663,962	P78.39

The shares covered by the LTIP are offered for subscription to the participants for three years from approval of the LTIP by the SEC.

The fair value of equity-settled share options granted is estimated as at the date of grant using Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted.

The inputs to the model used to measure the fair value of the shares granted in 2008 and 2007 are as follows:

	2008 grant		**2007 grant**	
	Class "A"	**Class "B"**	**Class "A"**	**Class "B"**
Dividend yield	**3.46%**	**3.46%**	**2.20%**	**1.85%**
Expected volatility	**54%**	**43%**	**52%**	**40%**
Historical volatility	**54%**	**43%**	**52%**	**40%**
Risk-free interest rate	**6.33% to 9.18%**	**6.33% to 9.18%**	**4.48% to 6.47%**	**4.48% to 6.47%**
Expected life option	**1 to 8 years**	**1 to 8 years**	**1 to 8 years**	**1 to 8 years**
Weighted average share price	**40.50**	**40.50**	**63.50**	**75.50**

The weighted average fair value of options granted in 2008 and 2007 was P12.31 and P18.91, respectively for Class "A" common shares and P10.60 and P19.37, respectively, for Class "B" common shares.

The range of exercise prices for options outstanding was P54.50 to P57.50 and P54.50 to P65 as of December 31, 2008 and 2007, respectively, for Class "A" common shares and P62.50 to P89.50, as of December 31, 2007, respectively for Class "B" common shares.

The average remaining contractual life of the LTIP was 1.43, 1.99 and 1.30 years as of December 31, 2008, 2007 and 2006, respectively, for Class "A" common shares and 1.30, 1.99 and 1.41 years as of December 31, 2008, 2007 and 2006, respectively, for Class "B" common shares.

Share-based payment charged to operations, included under "Administrative expenses" account, amounted to P253, P258 and P188 in 2008, 2007 and 2006, respectively.

36. Financial Risk Management Objectives and Policies

Objectives and Policies

The Group's principal financial instruments other than derivatives include cash and cash equivalents, available-for-sale investments, short-term and long-term loans. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses and other noncurrent liabilities, which arise directly from its operations.

The Group also enters into derivative transactions such as commodity and currency options, forwards and swaps. The Group uses derivatives to manage its exposures to foreign currency, interest and commodity price risks arising from the Group's operations and financing activities.

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk - interest rate risk, foreign currency risk and commodity price risk. The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's accounting policies in relation to derivatives are set out in Note 3.

Interest Rate Risk

The Group's exposure to changes in interest rates relates primarily to the Group's short-term and long-term debt obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

In managing interest rate, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated earnings.

The sensitivity to reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P474 and P539 as of December 31, 2008 and 2007, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. There is no impact on the Group's equity.

As at December 31, 2008 and 2007, the Group's long-term debt, presented by maturity profile, are as follows:

December 31, 2008	**<1 year**	**1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total**
Fixed rate							
Philippine peso	**P -**	**P -**	**P -**	**P955**	**P -**	**P1,270**	**P2,225**
Interest rate				**6.50%**		**7.25%**	
Floating rate							
Foreign currency-denominated notes (expressed in Philippine peso)	**9,233**	**17,411**	**17,391**	**3,751**	**117**	**59**	**47,962**
Interest rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin	THBFIX +margin	THBFIX +margin	
							P50,187

December 31, 2007	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso	P -	P -	P -	P -	P955	P1,270	P2,225
Interest rate					6.50%	7.25%	
Floating rate							
Foreign currency-denominated notes (expressed in Philippine peso)	1,225	8,012	15,165	15,124	14,721	159	54,406
Interest rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin; and discount from PBOC lending rate	LIBOR, THBFIX, VNIBOR +margin	THBFIX +margin	
							P56,631

Foreign Currency Risk

The Group's exposure to foreign currency risk results from its business transactions and financing arrangements denominated in foreign currency. The Group uses a combination of natural hedges and derivative hedges to manage its foreign currency exposure. It uses currency derivatives to reduce earnings volatility related to foreign exchange movements.

Short-term currency forward contracts (deliverable and non-deliverable) are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated debts.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

	2008		2007	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,845**	**P87,660**	US$1,978	P81,650
Accounts receivable	**88**	**4,159**	119	4,930
Noncurrent receivables	**118**	**5,616**	20	826
	2,051	**97,435**	2,117	87,406
Liabilities				
Drafts and loans payable	**191**	**9,077**	89	3,674
Accounts payable and accrued expenses	**102**	**4,853**	106	4,315
Long-term debt	**1,009**	**47,961**	1,318	54,406
	1,302	**61,891**	1,513	62,395
Net foreign currency-denominated monetary assets	**US$749**	**P35,544**	US$604	P25,011

The Group reported net foreign exchange gains (losses) amounting to (P7,298), P4,683 and P2,804 in 2008, 2007 and 2006, respectively, with the translation of its foreign currency-denominated assets and liabilities. These resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2006	49.03
December 31, 2007	41.28
December 31, 2008	47.52

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as of December 31, 2008 and 2007:

2008

	P1 decrease in the US dollar exchange rate		**P1 increase in the US dollar exchange rate**	
	Effect on Income before Income Tax	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,623)**	**(P1,276)**	**P1,623**	**P1,276**
Trade and other receivables	**(12)**	**(83)**	**12**	**83**
Noncurrent receivables	**(99)**	**(82)**	**99**	**82**
	(1,734)	**(1,441)**	**1,734**	**1,441**
Drafts and loans payable	**140**	**142**	**(140)**	**(142)**
Accounts payable and accrued expenses	**6**	**100**	**(6)**	**(100)**
Long-term debt (including current maturities)	**923**	**686**	**(923)**	**(686)**
	1,069	**928**	**(1,069)**	**(928)**
	(P665)	**(P513)**	**P665**	**P513**

2007

	P1 decrease in the US dollar exchange rate		P1 increase in the US dollar exchange rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P1,861)	(P1,327)	P1,861	P1,327
Trade and other receivables	(31)	(109)	31	109
Noncurrent receivables	-	(20)	-	20
	(1,892)	(1,456)	1,892	1,456
Drafts and loans payable	54	70	(54)	(70)
Accounts payable and accrued expenses	11	101	(11)	(101)
Long-term debt (including current maturities)	1,200	898	(1,200)	(898)
	1,265	1,069	(1,265)	(1,069)
	(P627)	(P387)	P627	P387

Commodity Price Risk

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market positions is offset by the resulting lower physical raw material cost.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, aluminum, soybean meal, wheat, kraft paper and freight.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31, 2008 and 2007:

2008

Non-derivative financial liabilities	**Carrying Amount**	**Contractual cash flow**	**1year or less**	**> 1 year - 2 years**	**>2 years - 5 years**	**Over 5 years**
Drafts and loans payable	**P48,560**	**P48,790**	**P48,790**	**P -**	**P -**	**P -**
Accounts payable and accrued expenses	**20,939**	**20,939**	**20,939**	**-**	**-**	**-**
Long-term debt (including current maturities)	**49,763**	**53,241**	**10,151**	**18,402**	**23,127**	**1,561**
Other noncurrent liabilities	**25,691**	**25,691**	**-**	**7,543**	**18,148**	**-**

2007

Non-derivative financial liabilities	Carrying Amount	Contractual cash flow	1year or less	> 1 year - 2 years	>2 years - 5 years	Over 5 years
Drafts and loans payable	P44,231	P44,642	P44,642	P -	P -	P -
Accounts payable and accrued expenses	19,416	19,416	19,416	-	-	-
Long-term debt (including current maturities)	55,834	83,326	4,582	11,187	34,121	33,436
Other noncurrent liabilities	454	454	-	454	-	-

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Group obtains collateral or arranges master netting agreements.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any. Financial information on the Group's maximum exposure to credit risk as of December 31, 2008 and 2007, without considering the effects of collaterals and other risk mitigation techniques is presented below.

	Note	**2008**	2007
Cash and cash equivalents	*7*	**P116,939**	P93,281
Trade and other receivables - net	*8*	**50,814**	61,879
Derivative assets	*37*	**191**	926
Available-for-sale investments	*10*	**590**	551
Noncurrent receivables and deposits - net	*15*	**7,439**	7,437
		P175,973	P164,074

The Group has no significant concentration of credit risk with any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below.

The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken in all dressing plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at reasonable price.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and cumulative translation adjustments are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated balance sheet.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

37. Financial Assets and Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of December 31, 2008 and 2007:

	2008		2007	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P116,939**	**P116,939**	P93,281	P93,281
Trade and other receivables - net	**50,814**	**50,814**	61,879	61,879
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts in the consolidated balance sheets amounting to P190 and P1, respectively in 2008 and P907 and P19, respectively in 2007.)	**191**	**191**	926	926
Available-for-sale investments (included under "Investments and advances" account in the consolidated balance sheets)	**590**	**590**	551	551
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account in the consolidated balance sheets)	**7,439**	**7,439**	7,437	7,437
Financial Liabilities				
Drafts and loans payable	**48,560**	**48,560**	44,231	44,231
Accounts payable and accrued expenses	**20,939**	**20,939**	19,416	19,416
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated balance sheets amounting to P2,353 and P895 in 2008 and 2007, respectively, and "Other noncurrent liabilities" accounts in the consolidated balance sheets amounting to P2 in 2007)	**2,353**	**2,353**	897	897
Long-term debt (including current maturities)	**49,763**	**49,826**	55,834	56,005
Other noncurrent liabilities	**25,691**	**25,691**	454	454

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and receivables approximates fair value primarily due to the relatively short-term maturity of these financial instruments. In the case of long-term receivables, the fair value is based on the present value of expected future cash flows using the applicable discount rates.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on prices obtained from the market and counterparties. Fair values are also based on standard valuation models.

Available-for-Sale Investments. The fair values of publicly traded instruments and similar investments are estimated based on the quoted market prices. For all other instruments with no quoted market prices, a reasonable estimate of fair value has been calculated based on the expected cash flows or the underlying net asset base for each investment.

Drafts and Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of drafts and loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturity of these financial instruments.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable rates for similar types of loans as of balance sheet date. As of December 31, 2008 and 2007, discount rates used are from 5.7% to 6.9% and 4.8% to 6.6%, respectively. The carrying values of floating rate loans with quarterly repricing approximate fair value.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges are discussed below.

The Group enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options covering the Group's requirements on fuel oil, aluminum, soybean meal and wheat.

Derivative Instruments Accounted for as Hedges

Cash Flow Hedges

Long-term Interest Rate Swaps

As of December 31, 2006, the Group has outstanding interest rate swaps with an aggregate amount of US$150. Under the agreement, the Group receives quarterly floating interest rate based on BBSY and pays quarterly fixed interest rate. The Group effectively swaps the principal amount of certain A$-denominated debts into A$-denominated debts with principal payments in December 2008 and December 2010. As of December 31, 2006, the net positive fair value amounted to A$0.9. These were part of discontinued operations disposed as of December 31, 2007.

Currency Options

As of December 31, 2006, the Group has outstanding interest rate collars to manage its interest rate exposure on its foreign currency-denominated obligations. These collars have an aggregate notional amount of US$691 and a net positive fair value of A$1.7. These options were part of discontinued operations disposed as of December 31, 2007.

Currency Forwards

The Group enters into forward buy US$ and Danish Krone (DKK) contracts with aggregate notional amounts of US$54.5 and DKK28.0, respectively, to hedge existing and anticipated foreign currency-denominated purchases. The Group also enters into forward sell US$ and New Zealand Dollar (NZ$) contracts with an aggregate notional amounts of US$1.2 and NZ$2.3, respectively, to hedge existing and anticipated foreign currency-denominated sales. These forward contracts matured in various dates in 2007. As of December 31, 2006, the net negative fair value of these freestanding currency forwards amounted to A$19. These were part of discontinued operations disposed as of December 31, 2007.

Commodity Options
As of December 31, 2008, the Group has outstanding bought and sold options covering its fuel oil requirements with a notional quantity of 12,000 metric tons. The call and put options can be exercised at various calculation dates in 2009 with specified quantities on each calculation date. The net unrealized fair value change (after tax) deferred under "Cumulative translation adjustments" account on these call and put options as of December 31, 2008 amounted to P123.

As of December 31, 2007, the Group has no outstanding options designated as hedge on the purchase of commodity.

Other Derivative Instruments Not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the 2008 and 2007 consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of commodity derivatives and currency derivatives entered into by the Group.

Currency Forwards
As of December 31, 2007, the Group has outstanding forward contracts to sell US$ and buy PhP to hedge existing and anticipated US$-denominated receivables. The Group also has outstanding forward contracts to sell A$ and buy US$ to hedge existing and anticipated A$-denominated receivables. These forwards have an aggregate notional amount of US$196 to mature in 2008. As of December 31, 2007, the net positive fair value of these currency forwards amounted to P211.

As of December 31, 2007, the Group has outstanding structured forward contracts to buy PhP and sell US$ to manage its foreign currency exposure on US$-denominated receivables. These forwards have an aggregate notional amount of US$63 in 2007. The net positive fair value of these structured forwards amounted to P81 as of December 31, 2007.

As of December 31, 2007, the Group has outstanding structured forward contract to buy US$ and sell A$ to manage its foreign currency exposure on A$-denominated receivables. This forward amounted to US$54 and matured in early 2008. As of December 31, 2007, the positive fair value of this forward amounted to P37.

Short-term Currency Swaps
As of December 31, 2008 and 2007, the Group has outstanding short-term currency swap agreements with an aggregate notional amount of US$881 and US$560, respectively. The net negative fair value of these currency swaps amounted to P905 and P764 as of December 31, 2008 and 2007, respectively.

Currency Options
As of December 31, 2007, the Group has outstanding sold US$ call options to manage its foreign currency exposure on US$-denominated receivables. These options have an aggregate notional amount of US$79 and matured in 2008. As of December 31, 2007, the net positive fair value of these options was P27.

Commodity Swaps
As of December 31, 2008 and 2007, the Group has outstanding swap agreements, combined with bought and sold options, covering its aluminum requirements, to mature in 2008 and 2009. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps and options as of December 31, 2008 and 2007 is 450 and 4,800 metric tons, respectively. As of December 31, 2008 and 2007, the negative fair value of these swaps and options amounted to P19 and P10, respectively.

Commodity Options
As of December 31, 2008 and 2007, the Group has outstanding bought and sold options covering its fuel oil requirements with notional quantities of 58,800 and 28,800 metric tons, respectively. These options can be exercised at various calculation dates in 2009 and 2008 with specified quantities on each calculation date. The net negative fair value of these options as of December 31, 2008 amounted to P920 while the net positive fair value of these options as of December 31, 2007 was P34.

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities as of December 31, 2008 and 2007 of 34,292 and 76,748 metric tons, respectively. These options can be exercised at various calculation dates in 2009 and 2008 with specified quantities on each calculation date. As of December 31, 2008, the net negative fair value of these options amounted to P94 while the net positive fair value as of December 31, 2007 was P132.

In 2007, the Group entered into digital path dependent options covering its soybean meal requirements with a total notional quantity of 45,723 metric tons. These options were early exercised in 2007.

Embedded Derivatives

The Group's embedded derivatives include currency derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards
As of December 31, 2008 and 2007, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$73 and US$102, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. As of December 31, 2008, the net negative fair value of these embedded currency forwards amounted to P26, while the net positive fair value as of December 31, 2007 amounted to P443.

Embedded Currency Options
As of December 31, 2008, the total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$15. These non-financial contracts consist mainly of sales agreements. As of December 31, 2008, the net positive fair value of these embedded currency options amounted to P10.

As of December 31, 2007, the Group has no outstanding embedded currency options.

Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Balance at beginning of year	**P29**	P335
Net changes in fair value of derivatives:		
Designated as accounting hedges	**(245)**	47
Not designated as accounting hedges	**(10,832)**	(1,667)
	(11,048)	(1,285)
Less fair value of settled instruments	**(8,886)**	(1,314)
Balance at end of year	**(P2,162)**	P29

Hedge Effectiveness Results

The effective fair value changes, net of tax, on the Group's cash flow hedges that were deferred in equity as of December 31, 2008 amounted to P123. As of December 31, 2007, the Group has no outstanding derivatives designated as hedge.

38. Subsequent Events

a. *Sale of Assets*

On January 27, 2009, the Parent Company's BOD approved the sale of its domestic beer and malt-based beverages brands, including related trademarks, copyrights, patents and other intellectual property rights and know-how (IP Rights) to SMB, through the sale of all its interests in IBI, to which the Parent Company transferred the IP Rights pursuant to a Deed of Assignment of Domestic Intellectual Property Rights dated December 16, 2008 as supplemented by a Supplement to the Deed of Assignment of Domestic Intellectual Property Rights dated January 23, 2009 executed between IBI and the Parent Company, in exchange for common shares in IBI to SMB. The BOD of SMB approved on the same date, the purchase of the IP Rights through the purchase of all of the Parent Company's interests in IBI after the completion of such transfer to IBI by the Parent Company of the IP Rights to IBI. The price is P32,000.

On the same date, the BOD of the Parent Company likewise approved the sale of the parcels of land used in domestic beer operations, partly to Brewery Land Holdings, Inc. (BLI), a wholly-owned subsidiary of San Miguel Brewery Retirement Plan (SMBRP) at P239, and the rest to SMB by the sale of all its interests in BPI, to which the rest of such parcels of land will be transferred.

SMB's BOD also approved on January 27, 2009, the purchase of all the interests of the Parent Company in BPI after completion of the transfer by Parent Company of the said parcels of land to BPI in exchange for BPI common shares and after SMBRP has transferred its shares in BLI to BPI in exchange for BPI preferred shares. The purchase price will be at the appraised value of the land transferred by the Parent Company to BPI amounting to P6,829. The proposed acquisitions will be financed by SMB through borrowings.

The sale by the Parent Company of its interests in IBI and BPI will be implemented after obtaining all the required approvals from the appropriate regulatory agencies.

On January 28, 2009, the BOD of BPI approved the increase in the par value of its common shares from P100 to P350 and the increase in its authorized capital stock from P1 divided into 10,000 shares with a par value of P100 per share to P800 divided into 2,400,000 preferred shares and 1,600,000 common shares with a par value of P100 and P350 per share, respectively.

On February 27, 2009, the SEC approved the transfer of the Parent Company's IP rights to IBI and the increase in the authorized capital stock of IBI. Shares totaling 100,000,000 were issued to the Parent Company under a tax-free asset-for-share agreement, as confirmed by the Bureau of Internal Revenue (BIR) in its certification No. SN-405-2008 dated December 24, 2008.

Pursuant to the approvals of the BOD of BPI and the Parent Company, a Master Deed of Assignment of Land dated March 12, 2009 as superseded by a Master Deed of Assignment of Land dated March 25, 2009 was filed with SEC in connection with BPI's application for increase in its par value of common shares and authorized capital stock.

As of March 26, 2009, the application for increase in the par value of BPI's common share and authorized capital stock and the transfer by the Parent Company of certain parcels of land used in the domestic beer business to BPI are still pending approval of the SEC.

b. *SMB Bond Issuance*

Pursuant to an order by the SEC rendering SMB's registration statement effective and the permit to offer securities for sale issued by the SEC, both dated March 17, 2009, SMB offered for sale and subscription to the public Philippine peso-denominated fixed rate bonds in the aggregate principal amount of P38,800 (Bonds). The Bonds will be issued in three (3) series: Series A Bonds with an aggregare principal amount of P13,590 having a term of 3 years beginning on Issue Date and ending in April 3, 2012, with a fixed interest rate of 8.25% per annum; Series B Bonds with an aggregate principal amount of P22,400 having a term of 5 years and 1 day beginning on Issue Date and ending on April 4, 2014, with a fixed interest rate of 8.875% per annum; and Series C Bonds with an aggregate amount of P2,810 having a term of 10 years beginning on Issue Date and ending on April 3, 2019, with a fixed interest rate of 10.50% per annum. Proceeds from the issuance of the bonds will be used to finance SMB's acquisition of the interests of the Parent Company in IBI and BPI.

The offer period for the Bonds is from March 18 to March 27, 2009 and issue date is on April 3, 2009.

c. *Sale of SMB Shares*

On February 20, 2009, the Parent Company signed a share purchase agreement for the acquisition by Kirin Holdings Company, Limited ("Kirin"), of a 43.249% stake in SMB. Under the terms of the agreement, purchase price of the shares amounts to P8.841 per share, implying a total acquisition price at P58,924. Further to the agreement, the Parent Company, Kirin and SMB will undertake to negotiate exclusively for SMB's potential purchase of shares in Parent Company's overseas beer business. The exclusivity period is for six months following Parent Company's offer to sell the shares in its overseas beer business.

d. *Parent Company Loan Availment*

On February 17, 2009, the Parent Company issued floating rate notes amounting to P1,000. The net proceeds of the term loan facility will be used by the Parent Company for general financing and corporate requirements.

39. Other Matters

a. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the BIR for deficiency excise tax on one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) under CTA case numbers 7052 and 7053. In the opinion of management and its legal counsel, the Parent Company has strong legal grounds to contest the assessments.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA, under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it. An independent Certified Public Accountant (CPA) commissioned by the CTA to conduct an examination, verification and audit to validate the documents supporting the claim for refund has submitted a report stating, among other things, that the claim is properly supported by the relevant documents.

On November 27, 2007, the Parent Company filed with the CTA, under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. An independent CPA was likewise commissioned by the CTA in this case for the purpose of conducting an examination, verification and audit of the documents supporting the aforesaid claim. In a report recently submitted to the CTA, the independent CPA stated that the second claim is properly supported by the relevant documents.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing to the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 "in order to obviate the necessity of issuing a Warrant of Distraint and Garnishment and/or Levy". The Parent Company's external legal counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distraint and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company's pending claims for refund. As of March 26, 2009, the BIR has taken no further action on the matter.

b. *Authority to Invest Corporate Funds and/or Engage in Other Businesses*

On July 24, 2007, the shareholders authorized the Parent Company to invest corporate funds and/or engage in new businesses like power generation or transmission, water, other utilities, mining and infrastructure. Together with the core business of food, beverage and packaging - which will form the bulk of the portfolio - these new businesses aim to provide better aggregate growth margins and a stronger growth platform moving forward.

c. *Restructuring Plan*

At the annual stockholders' meeting held on July 24, 2008, the stockholders authorized (i) the Parent Company to pursue and implement a corporate restructuring plan which may require, among others, the divestment of the Parent Company's interest in its major subsidiaries, such as beer, food and packaging subsidiaries, with the Parent Company retaining controlling interests/ownership of at least 51% in each of these major subsidiaries, and (ii) the Board of Directors to approve the implementing transactions of such corporate restructuring plan after evaluation and study by Management, subject to applicable laws.

d. *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2008 amounted to P20,451.

Amount authorized but not yet disbursed for capital projects as of December 31, 2008 is approximately P7,571.

e. *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates to Philippine peso were closing rates of P47.52 in 2008 and P41.28 in 2007 for balance sheet accounts; and average rates of P44.47 in 2008, P46.18 in 2007 and P51.32 in 2006 for income and expense accounts.

f. *Memorandum of Understanding with Qatar Telecom*

On December 8, 2008, the Parent Company’s BOD allowed management to pursue a joint venture partnership with Qatar Telecom QSC (QTel) to look into opportunities in the wireless broadband, mobile and mobile broadband businesses in the Philippines. QTel is an integrated telecommunications player based in Qatar, and a majority owned by the State of Qatar.

On December 15, 2008, the Parent Company signed a memorandum of understanding with QTel to partner in wireless broadbank and mobile communications projects in the Philippines. The Parent Company is in talks with QTel for a possible investment in Liberty Telecoms Holdings Inc.

g. *Option Agreement with Sea Refinery Holdings B.V. (SEA BV)*

On December 24, 2008, the Parent Company entered into an option agreement with SEA BV pursuant to which SEA BV granted to the Parent Company an option to acquire and purchase up to 100% of its interests in SEA BV's wholly-owned subsidiary, SEA Refinery Corporation (SRC), consisting of 40,000,000 shares of stock with a par value of P1 per share (Option Shares). SRC owns 50.1% stake in Philippine oil refinery, Petron Corporation. The option may be exercised by the Parent Company within a period of two (2) years from December 24, 2008. The exercise price for the Option Shares will be the sum of (a) the paid-up capital of SEA BV in SRC amounting to P40 and (b) the value of the shares acquired by SRC in Petron Corporation plus the assumption of, if any, liability or obligation and expenses incurred by SRC for the acquisition of the said shares. The Parent Company and SEA BV have agreed that the Parent Company shall have representation in the board and management of Petron Corporation.

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SEC Accreditation No. 0004-FR-2
BSP Accredited

The Stockholders and the Board of Directors
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 26, 2009. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

MANABAT SANAGUSTIN & CO.

JORGE MA. S. SANAGUSTIN
Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-2
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BIR Accreditation No. 08-001987-7-2007
Issued July 10, 2007; Valid until July 9, 2010
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Issued January 5, 2009 at Makati City

March 26, 2009
Makati City, Metro Manila

Manabat Sanagustin & Co., certified public accountants, a professional partnership established under Philippine law, is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

ANNEX "E"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2008

A	-	MARKETABLE SECURITIES (CURRENT MARKETABLE EQUITY SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)	NOT APPLICABLE
B	-	AMOUNT RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES AND PRINCIPAL STOCKHOLDERS (OTHER THAN ASSOCIATES)	NOT APPLICABLE
C	-	NONCURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENT IN STOCKS AND OTHER INVESTMENTS	
D	-	INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES	NOT APPLICABLE
E	-	PROPERTY, PLANT AND EQUIPMENT	
F	-	ACCUMULATED DEPRECIATION	
G	-	INTANGIBLE ASSETS AND OTHER ASSETS	
H	-	LONG -TERM DEBT	
I	-	INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE
J	-	GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
K	-	CAPITAL STOCK	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2008
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/Valuation/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
INVESTMENTS IN ASSOCIATES									
Investments in associates - at equity:									
Acquisition Cost									
San Miguel Corporation									
Manila Electric Company	-	₱ -	300,963,189	₱ 30,845	₱ -	₱ -	300,963,189	₱ 30,845	27.00%
San Miguel Properties Inc.									
Bank of Commerce	-	-	8,747,000	1,749	-	-	8,747,000	1,749	30.00%
Northpine Land Inc. (formerly Jardine Land Inc.)	2,320,000	232		-	-	-	2,320,000	232	20.00%
		₱ 232		₱ 32,594	₱ -	₱ -		₱ 32,826	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2008
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/Valuation/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
ACCUMULATED EQUITY IN EARNINGS									
San Miguel Corporation									
Manila Electric Company		₱ -		₱ -	₱ 126	₱ -		₱ 126	27.00%
San Miguel Properties Inc.									
Bank of Commerce				(19)	(1,265)			(1,284)	30.00%
Northpine Land Inc. (formerly Jardine Land Inc.)		(12)		-	7	-		(5)	20.00%
Total		(12)		(19)	(1,132)	-		(1,163)	
UNREALIZED GAIN		-		-	-	-		-	
Total Accumulated Equity in Earnings		(12)		(19)	(1,132)	-		(1,163)	
Total Investments in Associates		₱ 220		₱ 32,575	₱ (1,132)	₱ -		₱ 31,663	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2008
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/Valuation/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
OTHER INVESTMENTS - AT COST - NET									
OTHER INVESTMENTS - AT COST									
San Miguel Corporation									
Alabang Country Club	7	₱ 7	-	₱ -	₱ -	₱ -	7	₱ 7	b
Ansor International	3,334	3	-	-	-	-	3,334	3	-do-
Apo Golf & Country Club	3	-	-	-	-	-	3	-	-do-
Baguio Country Club	1	1	-	-	-	-	1	1	-do-
Bancom Group Inc	999,546	5	-	-	-	-	999,546	5	-do-
Batulao Village Club	1	-	-	-	-	-	1	-	-do-
Calatagan Golf Club	1	-	-	-	-	-	1	-	-do-
Camp John Hay	2	3	-	-	-	-	2	3	-do-
Canlubang Golf Club	3	2	-	-	-	-	3	2	-do-
Capitol Hills Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Casino Espanol de Manila	2	-	-	-	-	-	2	-	-do-
Cebu Country Club	1	2	-	-	-	-	1	2	-do-
Celebrity Sports Plaza	3	-	-	-	-	-	3	-	-do-
Club Filipino	8	1	-	-	-	-	8	1	-do-
Continental Potash	7,909	-	-	-	-	-	7,909	-	-do-
Evercrest	2	2	-	-	-	-	2	2	-do-
Export & Industry Bank	940,560,000	357	-	-	-	-	940,560,000	357	-do-
Green Valley Club - Baguio	1	-	-	-	-	-	1	-	-do-
Greenfield Tennis Club	3	-	-	-	-	-	3	-	-do-
Iloilo Golf Club	1	-	-	-	-	-	1	-	-do-
Inter island Broadcasting Corp	4,458,928	3	-	-	-	-	4,458,928	3	-do-
Landgolf Inc	2	-	-	-	-	-	2	-	-do-
Makati Executive Center	1	-	-	-	-	-	1	-	-do-
Makati Sports Club	11	2	-	1	-	-	11	3	-do-
Manila Bankers Life	250,000	1	-	1	-	-	250,000	2	-do-
Manila Electric Company	100,331	1	-	-	-	-	100,331	1	-do-
Manila Golf & Country Club	3	60	-	3	-	-	3	63	-do-
Manila Polo Club	2	9	-	-	-	-	2	9	-do-
Manila Southwoods Golf & Country Club	1	2	-	-	-	-	1	2	-do-
Medical Doctors Inc.	72,600	1	-	-	-	-	72,600	1	
Merchant Investment	41,660	4	-	-	-	-	41,660	4	-do-
Metropolitan Club	2	-	-	-	-	-	2	-	-do-
Metropolitan Theater	198	-	-	-	-	-	198	-	-do-
Mimosa Golf & Country Club	3	4	-	-	-	-	3	4	-do-
Monserrat Trading	1,000	-	-	-	-	-	1,000	-	-do-
Motor Services	52,500	-	-	-	-	-	52,500	-	-do-
Naga Telephone Co.	220	-	-	-	-	-	220	-	-do-

(a) if the cost of investment is less than P500,000, the amount column will show zero.
(b) percentage of ownership in negligible
(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2008
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/Valuation/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
Negros Occidental Golf club	6	₱ -	-	₱ -	₱ -	₱ -	6	₱ -	-do-
Norcem Philippines	80,000	1	-	-	-	-	80,000	1	-do-
Orchard Golf & Country Club	5	10	-	-	-	-	5	10	-do-
Pacific Club Corporate	1	1	-	-	-	-	1	1	-do-
Pantranco South Express	340,992	-	-	-	-	-	340,992	-	-do-
People's Press	1,500	-	-	-	-	-	1,500	-	-do-
Phil. Columbian Club	3	-	-	-	-	-	3	-	-do-
Phil. Dealing Sytem Holding Corp.	250,000	25	-	-	-	-	250,000	25	-do-
Phil. International Fair	500	-	-	-	-	-	500	-	-do-
Phil. Long Distance Tel. Co	230,594	2	-	-	-	-	230,594	2	-do-
Phil. Overseas Resources	10,000	-	-	-	-	-	10,000	-	-do-
Pilipino Telephone	600	-	-	-	-	-	600	-	-do-
Professional Services Inc	11,250	5	-	-	-	-	11,250	5	-do-
Puerto Azul Golf Club	3	-	-	-	-	-	3	-	-do-
Quezon City Sports Club	1	-	-	-	-	-	1	-	-do-
Sta Elena Properties	7	5	-	-	-	-	7	5	-do-
Sta Elena Golf Club	1	5	-	1	-	-	1	6	-do-
Sta Lucia Realty Golf Club	2	1	-	-	-	-	2	1	-do-
Subic Bay Yacht Club	1	1	-	-	-	-	1	1	-do-
Tagaytay Highland Golf and Country Club	2	2	-	-	-	-	2	2	-do-
Tagaytay Midlands Country Club	1	2	-	-	-	-	1	2	-do-
The Country Club - Canlubang	2	30	-	-	-	-	2	30	-do-
Universal Leisure Club	1	1	-	-	-	-	1	1	-do-
Valle Verde Golf Club	53	5	-	-	-	-	53	5	-do-
Valley Golf Club Inc.	2	3	-	-	-	-	2	3	-do-
Victorias Country Club	1	-	-	-	-	-	1	-	-do-
San Miguel International Ltd.									
Others	-	52	-	21	-	-	-	73	-do-
San Miguel Properties Inc.									
Apo Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Mimosa Golf & Country Club	4	2	-	-	-	-	4	2	-do-
Sta. Elena Golf & Country Club	1	1	-	(1)	-	-	1	-	-do-
Metro Club	1	-	-	-	-	-	1	-	-do-
Phil. Long Distance Tel Co	12,200	1	-	-	-	-	12,200	1	-do-
Meralco	273,118	8	-	-	-	-	273,118	8	-do-
Italia Country Club	89	5	-	-	-	-	89	5	-do-
Riviera Golf Course and Country Club	-	-	1	5			1	5	-do-
Tagaytay Midlands Country Club	1	2	-	-	-	-	1	2	-do-
Pacific Central Properties, Inc.									
Corporate Investment Phils Inc	200,000	-	-	-	-	-	200,000	-	-do-
Herald Publications	410	-	-	-	-	-	410	-	-do-

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(b) percentage of ownership in negligible
(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2008
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/Valuation/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
San Miguel Rengo Packaging Corp									
Phil Long Distance Tel.	5,200	₱ -	-	₱ -	₱ -	₱ -	5,200	₱ -	-do-
Evercrest Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Orchard Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Apo Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Anchor Brokerage Corporation									
Phil. Long Distance Tel. Co.	10,400	-	-	-	-	-	50	-	-do-
Export & Industry Bank	766,000	1	-	(1)	-	-	766,000	-	-do-
San Miguel Yamamura Asia									
Manila Southwoods Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Orchard Golf and Country Club	1	-	-	-	-	-	1	-	-do-
Evercrest Golf & Country Club	1	1	-	-	-	-	1	1	-do-
San Miguel Packaging Specialist Inc.									
Canlubang Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Manila Southwoods	1	-	-	-	-	-	1	-	-do-
Orchard Golf & Country Club	1	-	-	-	-	-	1	-	-do-
Puerto Azul	1	1	-	-	-	-	1	1	-do-
Manila Southwoods Golf and Country Club	1	1	-	(1)	-	-	1	-	-do-
Orchard Golf and Country Club	1	-	-	-	-	-	1	-	-do-
Philippine Longdistance Tel. Co.	600	-	-	-	-	-	600	-	-do-
Riviera Golf Club	1	-	-	-	-	-	1	-	-do-
San Miguel Purefoods Company, Inc.									
Club Filipino	1	-	-	-	-	-	1	-	-do-
Club Strata, Inc.	1	-	-	-	-	-	1	-	-do-
Makati Sports Club, Inc.	1	-	-	-	-	-	1	-	-do-
Philippine Long Distance Tel. Co.	1	1	-	-	-	-	1	1	-do-
Valle Verde Country Club	1	-	-	1	-	-	1	1	-do-
Capitol Hills Golf and Country Club, Inc.	1	-	-	-	-	-	1	-	-do-
Alabang Country Club	1	1	-	-	-	-	1	1	-do-
Golf Club Bogor Raya	1	-	-	-	-	-	1	-	-do-
Insta Food	1	1	-	-	-	-	1	1	-do-
Manila Southwoods Golf & Country Club	1	1	-	-	-	-	1	1	-do-
Sta Elena Golf Club	1	2	-	-	-	-	1	2	-do-
Manila Electric Co	1	2	-	1	-	-	1	3	-do-
Tagaytay Highland Golf and Country Club	1	1	-	-	-	-	1	1	-do-
Club Filipino	1	-	-	-	-	-	1	-	-do-
Piltel	11,100	-	-	-	-	-	11,100	-	-do-
Royal Tagaytay Country Club	1	-	-	-	-	-	1	-	-do-
Orchard Golf and Country Club	1	-	-	-	-	-	1	-	-do-
Endless Vacation Club Phils. Inc.	2	-	-	-	-	-	2	-	-do-
Phil. Assoc. of Hod Raisers	14,388	-	-	-	-	-	14,388	-	-do-
Philippine Long Distance Tel. Co.	9,290	-	-	-	-	-	9,290	-	-do-
Makati Sports Club, Inc.	1	-	-	-	-	-	1	-	-do-
Casino Espanol	1	-	-	-	-	-	1	-	-do-
Total Other Investments - at cost		₱ 656		₱ 31	₱ -	₱ -		₱ 687	

(a) if the cost of investment is less than P500,000, the amount column will show zero.
(b) percentage of ownership in negligible
(c) no percentage of ownership as this represents investment in bonds

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C: NON-CURRENT MARKETABLE EQUITY SECURITIES, OTHER LONG-TERM INVESTMENTS IN SHARES OF STOCK AND OTHER INVESTMENTS
DECEMBER 31, 2008
(Amounts in Millions, Except No. of Shares Data)

	Beginning Balance						Ending Balance		
	No. of Shares or Principal Amount of Bonds and Notes	Amount	No. of Shares or Principal Amount of Bonds and Notes	Additions/Disposals/Valuation/CTA/Reclassification	Equity in net earnings during the year	Dividends received	No. of Shares or Principal Amount of Bonds and Notes	Amount	Percentage of Ownership
ADVANCES									
SMC (Inter-Island Broadcasting)		₱ 41		₱ -	₱ -	₱ -		₱ 41	
RESERVE FOR LOSS									
San Miguel Corporation		(146)		8	-	-		(138)	
Total Other Investments - at cost - net		551		39	-	-		590	
GRAND TOTAL		₱ 771		₱ 32,614	₱ (1,132)	₱ -		₱ 32,253	

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - PROPERTY, PLANT AND EQUIPMENT
DECEMBER 31, 2008
(Amounts in Millions)

Classification	Beginning Balance December 31, 2007	Additions	Disposals of Subsidiary / Reclass	Currency Translation Differences	Ending Balance December 31, 2008
Land and Land improvements	₱ 8,881	₱ 350	₱ (187)	₱ 145	₱ 9,189
Buildings and improvements	21,214	1,234	(50)	1,575	23,973
Machinery and equipment	68,696	5,143	(7)	3,513	77,345
Transportation equipment	2,701	406	(226)	39	2,920
Tools and small equipment	1,932	115	(282)	89	1,854
Office equipment, furniture and fixtures	2,451	97	(4)	62	2,606
Moulds	395	140	(17)	9	527
Leasehold improvements	825	24	(9)	-	840
Construction in Progress	7,461	(1,072)	(1,623)	613	5,379
	₱ 114,556	₱ 6,437	₱ (2,405)	₱ 6,045	₱ 124,633

* See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE F - ACCUMULATED DEPRECIATION AND AMORTIZATION
DECEMBER 31, 2008
(Amounts in Millions)

Classification	Beginning Balance December 31, 2007	Additions	Disposals of Subsidiary / Reclass	Currency Translation Differences	Ending Balance December 31, 2008
Land and Land improvements	₱ 1,074	₱ 90	₱ (124)	₱ 14	₱ 1,054
Buildings and improvements	5,279	663	(97)	354	6,199
Machinery and equipment	33,977	3,511	(704)	1,292	38,076
Transportation equipment	1,888	231	(122)	30	2,027
Tools and small equipment	1,559	121	(249)	79	1,510
Office equipment, furniture and fixtures	2,005	169	(57)	40	2,157
Moulds	288	108	1	6	403
Leasehold improvements	309	40	(15)	-	334
	₱ 46,379	₱ 4,933	₱ (1,367)	₱ 1,815	₱ 51,760

* See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE - IMPAIRMENT ON PPE
DECEMBER 31, 2008
(Amounts in Millions)

Classification	Beginning Balance December 31, 2007	Additions	Disposals (Reclassifications)	Currency Translation Differences	Ending Balance December 31, 2008
Land and Land improvements	₱ -	₱ -	₱ -	₱ -	₱ -
Buildings and improvements	918	-	-	172	1,090
Machinery and equipment	2,884	-	(46)	604	3,442
Transportation equipment	1	-	-	-	1
Tools and small equipment	11	-	(3)	2	10
Office equipment, furniture and fixtures	6	-	8	1	15
Moulds	2	-	-	-	2
Leasehold improvements	-	-	-	-	-
	₱ 3,822	₱ -	₱ (41)	₱ 779	₱ 4,560

* See Notes 4 and 11 of the Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2008
(Amounts in Millions)

Part A - Goodwill and Other Intangible Assets

Description	Beginning Balance	Additions	Disposal / Reclass to other Accounts	Currency Translation Adjustment	Ending Balance
Goodwill	₱ 5,348	₱ -	₱ (322)	₱ 175	₱ 5,201
Trademarks and Other Intangibles					
Cost:					
Trademarks and brands	₱ 1,962	₱ 78	₱ -	₱ 211	₱ 2,251
Other Intangibles	2,027	73	241	273	2,614
	3,989	151	241	484	4,865
Accumulated Amortization					
Other Intangibles	787	92	102	72	1,053
Net Book Value	₱ 3,202	₱ 59	₱ 139	₱ 412	₱ 3,812

*** See Notes 4 and 14 of Notes to Consolidated Financial Statements**

SCHEDULE G - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2008
(Amounts in Millions)

Part B - Other Noncurrent Assets

Description	Beginning Balance	Additions At Cost	Charged to Cost and Expenses	Other Changes Additions (Disposal)	Currency Translation Adjustment	Ending Balance
Noncurrent receivables and deposits	₱ 7,437	₱ 1,566	₱ -	₱ (1,564)	₱ -	₱ 7,439
Deferred containers expense - net of accumulated amortization	3,187	1,557	(676)	(383)	23	3,708
Others - net	3,064	(121)	(176)	289	38	3,094
	₱ 13,688	₱ 3,002	₱ (852)	₱ (1,658)	₱ 61	₱ 14,241

* See Notes 15, 34, and 35 of Notes to Consolidated Financial Statements

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE H - LONG-TERM DEBT
DECEMBER 31, 2008
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Non Current Transaction Cost	Amount Shown as Long-term	Current and Long-term	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
Parent Company													
Unsecured term notes:													
Foreign currency - denominated													
Floating	Mizuho Corporate Bank Ltd.	43,861	8,146	(186)	7,960	35,715	(221)	35,494	43,454	LIBOR plus agreed margin	Amortized	Various	March-12
		43,861	8,146	(186)	7,960	35,715	(221)	35,494	43,454				
Subsidiaries													
Unsecured term notes:													
Peso denominated:													
Fixed	HSBC	955	-	(2)	(2)	955	(4)	951	949	6.50%	Bullet	Semi-annual	March-12
Fixed	HSBC	1,270	-	(1)	(1)	1,270	(7)	1,263	1,262	7.25%	Bullet	Semi-annual	March-14
		2,225	-	(3)	(3)	2,225	(11)	2,214	2,211				
Foreign currency - denominated													
Domestic Subsidiairy													
Floating	ABN AMRO												
Floating	United Overseas Bank	293	29	-	29	264	(1)	263	292	THBFIX + agreed margin	Amortized	quarterly	February-14
		293	30	-	30	263	(2)	261	291	THBFIX + agreed margin	Amortized	quarterly	February-14
		586	59	-	59	527	(3)	524	583				
International Subsidiaires													
Floating	HSBC	688	173	-	173	515	-	515	688	THBFIX + agreed margin	Amortized	Semi-annual	September-12
Floating	BTM	688	173	-	173	515	-	515	688	THBFIX + agreed margin	Amortized	Semi-annual	September-12
Floating	HSBC	336	84	-	84	252	-	252	336	VNIBOR + agreed margin	Amortized	quarterly	December-12
Floating	BTM	336	84	-	84	252	-	252	336	VNIBOR + agreed margin	Amortized	quarterly	December-12
Floating	SCB	1,401	467	-	467	934	-	934	1,401	discount from PBOC lending rate	Amortized	quarterly	August-11
Floating	HSBC	66	47	-	47	19	-	19	66	HIBOR + agreed margin	Amortized	quarterly	December-12
		3,515	1,028	-	1,028	2,487	-	2,487	3,515				
		4,101	1,087	-	1,087	3,014	(3)	3,011	4,098				
Total Long-term Debt		**50,187**	**9,233**	**(189)**	**9,044**	**40,954**	**(235)**	**40,719**	**49,763**				

* See Note 19 of the Notes to Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE K - CAPITAL STOCK
DECEMBER 31, 2008

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS *	NUMBER OF SHARES HELD BY: RELATED PARTY	NUMBER OF SHARES HELD BY: DIRECTORS, OFFICERS AND EMPLOYEES
COMMON STOCK "A"	3,600,000,000	1,975,940,615	54,662,760	1,921,277,855	94,249,095	751,482,791	6,769,310
COMMON STOCK "B"	2,400,000,000	1,246,527,833	10,812,611	1,235,715,222	40,392,469	153,869,424	7,068,700
PREFERRED SHARES	1,500,000,000	-	-	-	-	-	-
	7,500,000,000	3,222,468,448	65,475,371	3,156,993,077	134,641,564	905,352,215	13,838,010

* See Note 21 and 35 of the Audited Consolidated Financial Statements.

SAN MIGUEL CORPORATION (Parent Only)
ACCOUNTS RECEIVABLE - TRADE
As of DECEMBER 31, 2008

	TOTAL	CURRENT	1-30 DAYS	31-60 DAYS	OVER 60 DAYS
ACCOUNTS RECEIVABLE-TRADE	₱ 3,231,332,885.96	1,856,616,398.37	895,197,829.69	67,934,166.34	411,584,491.56
ALLOW. FOR DOUBTFUL ACCOUNTS	(472,654,404.52)				
NET	**₱ 2,758,678,481.44**				

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PRC-BOA Registration No. 0003
SEC Accreditation No. 0004-FR-2
BSP Accredited

REPORT OF INDEPENDENT AUDITORS

The Stockholders and the Board of Directors
San Miguel Corporation
No. 40, San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Corporation (the "Company") as of and for the year ended December 31, 2008, and have issued our report thereon dated March 26, 2009.

Our audit was made for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008, *Guidelines on the Determination of Retained Earnings Available for Dividend Declaration,* and is not part of the basic separate financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements of the Company and, in our opinion, fairly state in all material respects, the financial statements data required to be set forth therein in relation to the basic separate financial statements taken as a whole.

MANABAT SANAGUSTIN & CO.

JORGE MA. S. SANAGUSTIN
Partner
CPA License No. 0030399
SEC Accreditation No. 0026-AR-2
Tax Identification No. 124-282-616
BIR Accreditation No. 08-001987-7-2007
Issued July 10, 2007; Valid until July 9, 2010
PTR No. 1564070 MB
Issued January 5, 2009 at Makati City

March 26, 2009
Makati City, Metro Manila

Manabat Sanagustin & Co., certified public accountants, a professional partnership established under Philippine law, is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

SAN MIGUEL CORPORATION
No. 40 San Miguel Avenue, Mandaluyong City

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DECLARATION

Unappropriated Retained Earnings, December 31, 2007		P	36,656
Deferred tax asset as of December 31, 2007			(985)
Treasury shares			(4,053)
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash equivalents, net of tax)			(1,371)
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS (impairment losses, inventory losses, allowance for doubtful accounts and others)			682
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*			30,929
Net income actually earned/realized during the period			
Net income during the period closed to Retained Earnings	6,577		
Non-actual/unrealized (income) loss- net of tax			
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash equivalents)	7,318		
Unrealized marked-to-market (gain) loss	303		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS (impairment losses, inventory losses, allowance for doubtful accounts and others)	1,275		
	8,896		
Deferred tax asset	(4,127)		
Net income actually earned during the period			11,346
			42,275
Dividend declaration during the period			(4,416)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**P**	**37,859**

Annex "F"

LIST OF SEC 17-C-2008

Date Reported	Subject
December 22, 2008	Please be informed that the Company has formed two new wholly owned subsidiaries, Brewery Properties, Inc. and Iconic Beverages, Inc. for its land holdings in the beer business and beer brands, respectively.
December 15, 2008	San Miguel Qatar Telecom Sign MOU.
December 8, 2008	Please be informed that at the meeting of the Board of Directors held today, December 8, 2008, the Board authorized the Company to enter into an option agreement with Ashmore Group for the purchase of up to a 50.1% stake of Ashmore's interest in Petron Corporation.
December 8, 2008	Please be informed that at the meeting of the Board of Directors of San Miguel Corporation held today, December 8, 2008, the Board declared a cash dividend of P0.35 per share payable on February 10, 2009 to all stockholders of record as of January 16, 2009. The stock and transfer books of the Corporation will be closed from January 17, 2009 to January 23, 2009.
December 8, 2009	San Miguel to go into broadband, partners with Qatar Telecom.
November 6, 2008	SMC posts income of P20.9 billion for first nine months.
October 27, 2008	San Miguel Corporation's Board of Directors gave SMC management approval to enter into a sale and purchase agreement with the Government Service Insurance System to acquire the government agency's 27% stake in Meralco at the price of 90.00 per share, the total amount to be payable in three years. The Board also authorized SMC to initiate talks with the Ashmore Group for a possible stake in Petron Corporation, and with Indonesia's PT Bakrie and Brothers, for an alliance for its PT Bumi Resources operations.
October 17, 2008	SMC interested in Petron.
September 25, 2008	Please be informed that at the meeting of the Board of Directors of San Miguel Corporation held on September 25, 2008, the Board declared a cash dividend of P0.35 per share payable on November 17, 2008 to all stockholders of record as of November 3, 2008. The stock and transfer books of the Corporation will be closed from November 4, 2008 to November 10, 2008.
September 25, 2008	Magnolia assures safety of milk and dairy products.
September 12, 2008	SMC denies Meralco takeover bid.
Aug. 12, 2008	San Miguel Reports First Half Net Income of P19.7 Billion.
July 24, 2008	SMC Stockholders approve corporate restructuring.
July 24, 2008	At the Annual Stockholders' Meeting of San Miguel Corporation held today, July 24, 2008 at the Valle Verde Country Club, the following directors were duly elected:

	Eduardo M. Cojuangco, Jr., Ramon S.Ang, Estelito P. Mendoza, Iñigo Zobel, Winston Garcia, Menardo R. Jimenez, Leo S. Alvez, Egmidio de Silva Jose, Pacifico M. Fajardo, Silvestre H. Bello III, Kazuhiro Tsukahara, Koichi Matsuzawa, Hirotake Kobayashi, Hector L. Hofileña, Carmelo L. Santiago. At the Organizational Meeting, the following by-law officers were duly elected: Eduardo M. Cojuangco – Chairman & Chief Exeucitve Officer Ramon S. Ang – Vice-Chairman, President & Chief Operating Officer Ferdinand K. Constantino – SVP & CFO-Treasurer Francis H. Jardeleza – SVP-Gen. Counsel & Corsec Lorenzo Timbol – Asst. Corporate Secretary Rosabel Socorro T. Balan – Asst. Corporate Secretary The following Committee members were also elected: Executive Committee: Eduardo M. Cojuangco – Chairman Ramon S. Ang, Estelito P. Mendoza, Leo S. Alvez, Menardo R. Jimenez, Iñigo Zobel, Kazuhiro Tsukahara Audit Committee: Carmelo L. Santiago – Chairman Estelito P. Mendoza, Iñigo Zobel, Pacifico M. Fajardo, Kazuhiro Tsukahara, Hector L. Hofileña Executive Compensation: Menardo R. Jimenez – Chairman Estelito P. Mendoza, Iñigo Zobel, Egmidio de Silva Jose, Kazuhiro Tsukahara, Carmelo L. Santiago Nominations Committee: Estelito P. Mendoza – Chairman Ramon S. Ang, Iñigo Zobel, Leo S. Alvez, Winston F. Garcia, Silvestre H. Bello III, David S. Santos – Ex-Oficio Member
July 18, 2008	SMC Packaging Group Reports Strong Growth in First Semester.
July 3, 2008	SMC, Kuok Group to launch US$1-B food security project, Business titans team up with national government to develop one million hectares of agricultural lands.
June 26, 2008	Please be informed that at today's meeting of the Board of Directors of San Miguel Corporation, the Board declared a cash dividend of P0.35 per share payable on August 25, 2008 to all stockholders of record as of August 1, 2008. The stock and transfer books of the Corporation will be closed from August 2 to August 8, 2008.
June 2, 2008	We refer to your letter dated May 21,2008, which we received on May 28, 2008, requiring us to explain why the Company should not be held liable for violation of the SRC Rule 17.1 (1) (A)(i), for its non-submission of the Company's annual report on SEC Form 17-A on April 29, 2008. Please be informed that the Company files on May 15, 2008 annual report on SEC Form 17-A. As previously disclosed, the delay in the submission of the said annual report was due to the non-completion of the audit by the external auditors on its subsidiary, San Miguel Pure Foods Company, Inc. ("SMPFC) resulting from certain adjustments made by Monterey Foods Corporation (MFC), a subsidiary of SMPFC. Certain asset accounts such as trade receivables and investments of MFC were adjusted to reflect their net realizable values. The adjustments resulted in the reduction of MFC beginning retained earnings for 2007.

May 22, 2008	Please be informed that for the Regular Stockholders' Meeting of the Corporation scheduled on July 24, 2008 at 2:00 p.m. 1) the record date for stockholders entitled to vote will be on June 13, 2008. 2) the closing of stock and transfer books will be from Jun 14 – June 20, 2008. 3) the deadline for submission of proxies is on July 10, 2008. 4) the validation of proxies is on July 17, 2008.
May 20, 2008	Please be informed that the Company paid the amount of P125,000.00 to the Philippine Stock Exchange (PSE) in full settlement of the fine imposed by the PSE in its letter dated April 30, 2008, for the Company's failure to submit its SEC Form 17-A by way of Odisy on April 29, 2008.
May 15, 2008	SMC Posts Strong Q1 Results.
April 25, 2008	SMB sets IPO price at P8.00.
April 21, 2008	Pleas be informed that, to date, the external auditors of san Miguel Corporation have not completed their audit procedures to enable them to render a report on the Company's 2007 financial statements. The non-completion of such audit procedures on the Company is due to the non-completion of the audit on its subsidiary, San Miguel Pure Foods Company, Inc. (SMPFC), resulting from certain adjustments made by Monterey Foods Corporation (MFC), a subsidiary of SMPFC, affecting its receivables and inventories, resulting in a reduction of MFC's 2007 net income and retained earnings as of December 31, 2006. The external auditors of MFC are still ascertaining the allocation of the adjustments made between the current year and the prior year's result of operations. In view of the foregoing, the Company estimates that the aforementioned audit will be completed to enable the Company to submit its 2007 audited financial statements and SEC Form 17-A not later than May 15, 2008.
April 11, 2008	San Miguel Brewery Posts Strong Start to the Year.
March 6, 2008	Please be informed that at the meeting of the Board of Directors of San Miguel Corporation held today, march 6, 2008, the Board of Directors of San Miguel Corporation, the Board declared a cash dividend of P0.35 per share payable on April 24, 2008 to all stockholders of record as of March 28, 2008. The stock and transfer books of the Corporation will be closed from March 29, 2008 to April 4, 2008.
March 3, 2008	SMB Inc. Updates IPO Offering Circular.
January 31, 2008	Japanese Joint Venture Partner Buys Into SMC Packaging Business.
January 18, 2008	Please be informed that San Miguel Corporation has re-scheduled its Annual Stockholders' Meeting to July 24, 2008. The deadline for the submission of nominations to the Company's Board of Directors is on April 7, 2008.
January 9, 2008	San Miguel beer sales accelerate in 2007.
January 7, 2008	SMC's South China Brewing Operations Post Strong Growth.
January 2, 2008	San Miguel sells J. Boag & Son to Australian Brewer.